

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF LEAGUE CITY, TEXAS

For the Year Ended
September 30, 2011

Prepared by
Finance Department

Michael W. Loftin
Acting City Manager

Lonna Stein
Controller

Quencelia Goins
Accounting Manager

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CITY OF LEAGUE CITY, TEXAS

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INTRODUCTORY SECTION

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March 2, 2012

Honorable Mayor and
Members of the City Council
and the Citizens of the City of League City

The Comprehensive Annual Financial Report (CAFR) of the City of League City, Texas for the fiscal year ended September 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principals (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Belt Harris Pechacek, L.L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of League City is located 25 miles south of downtown Houston, Texas in northern Galveston County and the southern most part of Harris County. The City has a population of approximately 85,300 and encompasses an area of 53 square miles. The City adopted a "Home Rule Charter" on March 27, 1962. That charter provided for the "Mayor-Council" form of government as referenced in Vernon's Annotated Civil Statutes, Art. 1164 et.seq. In May 2010, the voters of League City elected to change to a Council-Manager form of government. This important decision signaled the beginning of a new era of government centered upon responsibility and performance.

The City provides a full range of services. These services include police, fire, emergency medical services, animal control and municipal court facilities; the construction and maintenance of streets, water, wastewater, drainage systems and other infrastructure; recreational parks, swimming pool and athletic fields; a public library and other facilities used for various cultural and civic activities. The City's Water and Wastewater System serves all residential and commercial locations within its limits including fifteen municipal utility districts within the City's territorial limits. The City utilizes the services of a contractor in order to provide solid waste collection services and recycling.

The following entities have met the requirements for component units and have appropriately been included within the financial statements:

- City of League City 4B Industrial Development Corporation
- City of League City Tax Increment Financing Zone No. Two
- City of League City Tax Increment Financing Zone No. Three
- City of League City Tax Increment Financing Zone No. Four
- City of League City Public Improvement District No. One - Magnolia Creek
- City of League City Public Improvement District No. Two - Victory Lakes
- City of League City Public Improvement District No. Three – Centerpointe
- City of League City Public Improvement District No. Five – Park on Clear Creek
- League City Volunteer Fire Department

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The City feels its internal control structure provides reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Debt Service Fund, and certain individual Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control is at the department level in each fund as provided in the City Charter.

Economic Condition and Outlook

The economic condition and outlook for League City is positive. Given the attractiveness of the region, the fact that nearly half of the city remains available for new development, and the responsible approach

to growth adopted by city leadership, the prospect of additional, steady and healthy growth is highly likely. The 2010 Census placed League City's population at 83,560 persons, an 84% increase over the 45,444 persons residing in the community in 2000. A population growth of approximately 2% per year has continued since the 2010 Census was taken. As a result of the extensive growth of the last decade, League City has become the largest city in Galveston County, transforming it from a small town into a bustling bedroom community. More recent growth in the commercial sector, particularly at the intersection of Interstate 45 and FM 646 has provided diversification in the local economy.

The community continued to see positive growth trends during the recent severe downturn in the national economy that signal a healthy, maturing economy. League City's assessed value growth has leveled out with new home construction settling between 2% and 3% annually. The City currently enjoys a 7.9% unemployment rate, which is in line with the unemployment rate of roughly 8.3% throughout the region.

The City of League City suggests a focus on the "recreational lifestyle" identity for which the city is becoming known. More than simply celebrating the family oriented quality of life atmosphere, outstanding neighborhoods, superior schools, parks, trails and waterfront as great qualities in a place to live, the "recreational lifestyle" brand proposes increased emphasis on these attributes in a place to work and shop. The recently adopted Main Street Implementation Plan proposes construction of catalyst projects within the historic core of League City, intended to transform the area into a regional destination. At the same time, League City is coordinating with developers in creation of an "Entertainment District" along Interstate 45, that will provide an enhanced shopping experience and take full advantage of the region's substantial buying power.

City leadership has presented an Economic Development Strategic Plan that builds upon the results of the branding study and provides focus to League City's continuing growth. The Plan highlights the major assets and strengths of the community, including:

- Location that is nearly equidistant between Houston and Galveston, with access to major regional employment centers and amenities.
- Very strong relationships with the energy, aerospace, medical and tourism industries that make League City the place to live for doctors, engineers, astronauts, and other high skill, high wage workers and their families as well as a growing number of retirees.
- A growing presence in the medical industry led by the University of Texas Medical Branch (UTMB) in completion of a 110,000 square foot specialty care and ambulatory surgical center on a 64 acre tract in the Victory Lakes Business Park. UTMB and other medical institutions occupy additional service and office space throughout the community. Two nearby hospitals offer Life Flight capability and represent over 40 medical specialties and associated services.
- Direct proximity to aerospace industry, including Johnson Space Center, and the petrochemical industry. Although the refineries, plants and major office centers are outside of League City, the city is attractive to small firms that are related to the industries but have a desire to be located in a more attractive and idealistic setting.
- The longest continuous waterfront of any mainland community in Galveston County. League City is already home to the third largest concentration of pleasure boats in the United States and includes a growing number of private marinas. League City is building upon the relationship with the waterfront through construction of a 6.5 mile paddle trail along Clear Creek with three initial paddle stations at key locations throughout the community.
- A cultural "heart" of the community that includes two museums, three parks, access to Clear Creek, and a growing cluster of unique shops and dining establishments.
- Continuing expansion of national brand commercial activity at the intersection of Interstate 45 and FM 646. In addition to major retailers such as JC Penney's, Kohl's, WalMart, Best Buy,

Super Target, Home Depot and Lowe's Home Improvement, the area includes a growing number of restaurants such as Spring Creek Barbeque, Five Guys, Freebirds, and New York Pizzeria, as well as two nationally recognized hotels.

- An education system that is highly attractive to families. Clear Creek Independent School District is the largest school district in the State of Texas to receive the Texas Education Agency "Recognized Rating." The region is also home to the University of Houston-Clear Lake, located just three miles from the City, as well as College of the Mainland, a junior college with a north campus located within the City limits.
- Additional unique amenities with the ability to draw tourists to the community, including the \$19 million Big League Dreams Sports Park located along Interstate 45 in direct proximity to the shopping opportunities at FM 646, and South Shore Harbour marina.

The Economic Development Strategic Plan notes that the future is particularly bright for:

- Transformation of important areas into marketable "districts," with infrastructure improvements, incentives and development of "catalyst projects" to transform commercial and cultural areas into destinations.
- Growth in office space as current office space nears full occupancy. The area has shown particular attractiveness for small architectural, engineering, and medical services firms that locate within close proximity to employees.
- Startups of small businesses because of League City's history of entrepreneurship.
- Tourism because of a focus on creation of destinations and districts that make League City particularly attractive as a tourist stop.

Long Term Planning

Organization Values

City Council has adopted a set of organizational values to facilitate long term planning goals. These values are being used to develop a list of goals that will be instrumental in the implementation of Performance Measurement Budgeting.

Promote Trust and Accountability: The City of League City is committed to public accountability through transparency, effective communication and active citizen involvement. Organizational activities will promote full disclosure and open, honest communication with the community, public officials and employees.

Plan Responsively and Act Decisively: The City of League City recognizes that a sustainable future requires actions based upon sound planning. Planning must ensure demand-driven resource acquisition, continuous strengthening of available resources and the effective and efficient implementation of adopted plans.

Maintain "World Class" Customer Service: The City of League City is committed to maintaining both a governing body and professional staff that recognizes, anticipates, and actively responds to the needs of its citizens. This requires a progressive and dynamic organizational culture that delivers "world class" customer service, is results oriented and incorporates innovation and technology to foster the most prudent use of public resources.

Promote a “Healthy” Community: The City of League City is focused on a future of physical and fiscal health and wellness that strives for balance and diversity in being an exceptional place to live, work, play, shop and gather. In doing so, the City will take a responsible, strategic approach to growth, economic development, infrastructure and major investments.

Performance Management

Building on the organizational values, the City Manager is leading an effort to institutionalize performance measurement and budgeting. Every City department is developing measures that reflect demand for their services, the way they address that demand, and the resulting impact their efforts have on the community. The City is participating in nationwide efforts that will allow the City to compare its performance against benchmarks that are based on other successful cities performance.

In FY 2011, the City participated in the National Citizens Survey, which is affiliated with the International City-County Management Association (ICMA) and its Center for Performance Measurement, measuring League City residents’ perceptions of the City’s performance. Over 800 survey respondents reported being pleased with the City’s direction, satisfied (or better) with most City services, and impressed with our employees. Further, those who saw a change in our performance over the past year overwhelmingly deemed it positive.

Of 28 primary service functions, 26 scored at or above benchmark satisfaction levels typically seen in other communities. League City residents also expressed much higher satisfaction with their local government than their peers in other communities. Of respondents expressing an opinion, two-thirds scored the City’s direction as “good” or “excellent” and 81 percent gave a “good” or “excellent” rating to League City’s overall image or reputation. League City residents also indicate above-the-norm satisfaction levels with the value of services they receive for taxes paid to League City, and for the job League City’s local government does in welcoming citizen involvement.

The City is currently participating in ICMA’s Center for Performance Measurement Program, enlisting ICMA’s expert assistance in on-site performance measurement training for City staff. In addition, the City is planning to participate in the Program’s data collection efforts aimed at providing benchmark data for a group of critical City services, including code enforcement, public safety services, information technology, library and parks.

Financial Planning

The City of League City completed a financial planning cycle that provides a baseline for the future. The Long Range Financial Forecast (LRFF) for FY 2012-2016 was published in July, 2011. The LRFF included revenue and expenditure projections for the City’s four major funds, including the General, Utility, Debt Service and Motor Pool funds. Statistical modeling techniques were used to develop leading indicators for the City’s major revenues. These leading indicators – total League City water customers, new homes construction, and value of new construction – provide the means to explain past revenue performance and help in projecting future revenues.

The LRFF included debt capacity models for tax-supported and revenue-supported debt, indicating the City’s capacity to issue new debt over the next several years for needed improvements. The results of this capacity modeling provided the basis for the Capital Improvement Plan for FY 2012-2016 released in August, 2011. As in previous years, the CIP included priority projects that support the City goals. However, the FY 2012-2016 CIP also included a complete financing plan that considered all existing and

projected capital funds as well as proceeds from new bond sales that could be afforded within the debt capacity as determined and identified in the LRFF.

The City's FY 2012 Budget was developed and built upon the same assumptions used in the LRFF and CIP. For the second year, the Budget included performance information as part of its implementation of a performance management system. The Budget also included a reduction in the property tax rate from \$0.616 to \$0.61 per \$100 of taxable value, a 0.6 cent reduction from last year. This reduction, combined with the 1.4 cent reduction from the prior year, reduces the overall property tax rate by 2.0 cents per \$100 of taxable value.

During FY 2011, periodic reports were presented to the Mayor and City Council that included year-to-date and projected year-end results for revenue, expenditures, and performance as well as the current status of capital projects included in the FY 2011 Capital Budget. These monitoring reports continue in FY 2012.

Financial Management Policies

As a part of the annual budget process, the City of League City adopts Financial Management Policy Statements that establish a framework for fiscal decision making and that ensure that financial resources are available to meet the present and future needs of its citizens. These statements provide guidelines for financial planning and management, addressing every major financial function and process.

Most importantly, the Financial Management Policy requires that the City maintain reserve balances at 110 to 120 days working capital to protect the City's credit worthiness as well as its financial position in the event of a disaster. As of September 30, 2011, the General and Utility Funds met and exceeded this goal. Additionally, the Utility Fund maintained net assets sufficient to meet bond covenant requirements for debt coverage, working capital as previously described and excess reserves sufficient to provide funds for projects and upgrades to technology.

City leadership expects to maintain this program of continuous improvement, combining responsive management, planning and goal setting that is appropriate for League City's size and growth rate. The values adopted by the Mayor and City Council will guide these efforts and provide a focus in keeping with the hopes and desires of League City's citizens.

Major Initiatives

For the Year

Improving and expanding the City's infrastructure continues to be a primary focus, with major planning underway to coordinate and focus the City's efforts to manage growth. In FY 2011, the City continued the update of its major plans affecting infrastructure, including the Comprehensive Plan, Master Mobility Plan, Water Master Plan, Wastewater Master Plan and Drainage Master Plan. Also, the City adopted its second fully financed Capital Improvements Plan for FY 2012-2016, including only fully funded projects in the five year CIP.

Work continued on the Southwest Water Reclamation Facility (SWWRF), and construction is expected to be completed in Spring of 2012. In keeping with the Wastewater Master Plan, the design phase of several wastewater projects was initiated, so flows from the existing Countryside Wastewater Treatment Plant (CWTP) could be redirected to the SWWRF. Ultimately, the CWTP will be disconnected from the system and demolished.

Transportation improvements continue to be a priority in League City. The City evaluated its previous plans for the Five Corners intersection and identified a lower cost alternative. This intersection carries a large volume of traffic and is prone to congestion because the intersection marks the nexus of three highways, FM 2094, FM 518 and FM 270. TXDOT has approved the more efficient alternative, and the design contract has been awarded. Construction will commence when the design phase is complete and state approval is secured.

Additionally, the City assumed responsibility for its street signal system from TXDOT. After an initial assessment of the traffic system, the City identified several projects to improve traffic signal operations in an effort to move traffic more freely throughout the City. Projects included an Adaptive Traffic Signal System for the Five Corners intersection, re-timing of multiple highly traveled corridors, and the purchase of improved traffic signal equipment.

The City completed a major initiative to improve drainage in the City, upgrading its internal drainage maintenance capacity. As a result, drainage was improved in a number of waterways and neighborhoods including Magnolia Creek, Cedar Gully, Empress Lane, Conoco-Philips, The Landing, Robinson's Gully and The Meadows.

Construction of the Eastern Regional Park began in FY 2011 and includes soccer fields and a recreation center. The 4B Corporation entered into an interlocal agreement with the City to set aside a portion of 4B sales tax revenue to provide funding for maintenance and operation costs for the Eastern Regional Park and to cover debt services for bonds sold to finance the construction of the park.

For the Future

Infrastructure development remains priority one in the City's plans to meet the increased demand for service spurred by continued growth of the City. The financial planning process begun in FY 2010 is an annual exercise, with updates to the Long Range Financial Forecast and Capital Improvement Plan providing the basis for the annual City budget. The major focus for the next several years in infrastructure planning will be addressing the City's long-term water supply needs. Transportation and public safety will remain high priorities, and the City will strive to identify specific improvements that anticipate and serve additional growth in the City.

Most importantly, planning will include projects that take maximum advantage of water supply, distributing it to population centers, and maintaining pressure levels. As indicated in the FY 2012 Long Range Financial Forecast, the City is pursuing a three-pronged approach to addressing the fact that the existing water supplies are not sufficient to accommodate full growth to build out. Water conservation, water re-use, and securing of additional supply through diversified sources are all options over the long term. The FY 2012-2016 Capital Improvement Plan includes projects to secure additional water rights, drill new water wells, and extend water lines to access 5 million gallons of water a day to which the city has rights but is currently not utilizing.

The City also is moving forward with the design of a new public safety building for the primary use of its police department, emergency management, municipal courts, and jail. Construction is anticipated in FY 2013.

Performance management is also a major focus for the future, with every department now required to provide quantitative and qualitative information that sharpen the focus on services and cost. As this effort proceeds, the current set of performance measures is expected to evolve as the organization develops enhanced capacity to identify community needs and develop appropriate service delivery mechanisms.

Staff also recently supported Council efforts to develop a set of strategic goals that will link organizational values and departments annual operational goals. The strategic goals are to be accompanied by a set of Council-approved key performance measures and possibly targets as well. These are to be reflected in future budgets and are to be used by Council to monitor progress in key focus areas.

As an outgrowth of the need to improve performance, technology will assume a more visible role in the City's service provision efforts. A new Technology Special Revenue Fund has been established in FY2012 as a source of dedicated funding for major systems to be implemented over the next few fiscal years. A new citywide financial and performance management system, expanded access to GIS data, improved document imaging capabilities and compliance with Microsoft licensing requirements are all to be addressed through the new technology fund.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of League City, Texas for its CAFR for the fiscal year ended September 30, 2010. This is the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. We would like to express our appreciation for their efforts. In addition, we thank the Mayor and members of the City Council for the responsible decisions they have made in the interest of preserving the financial integrity of the City of League City, Texas.

Respectfully submitted,



Michael W. Loftin
Acting City Manager



Lonna Stein
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of League City
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dawson

President

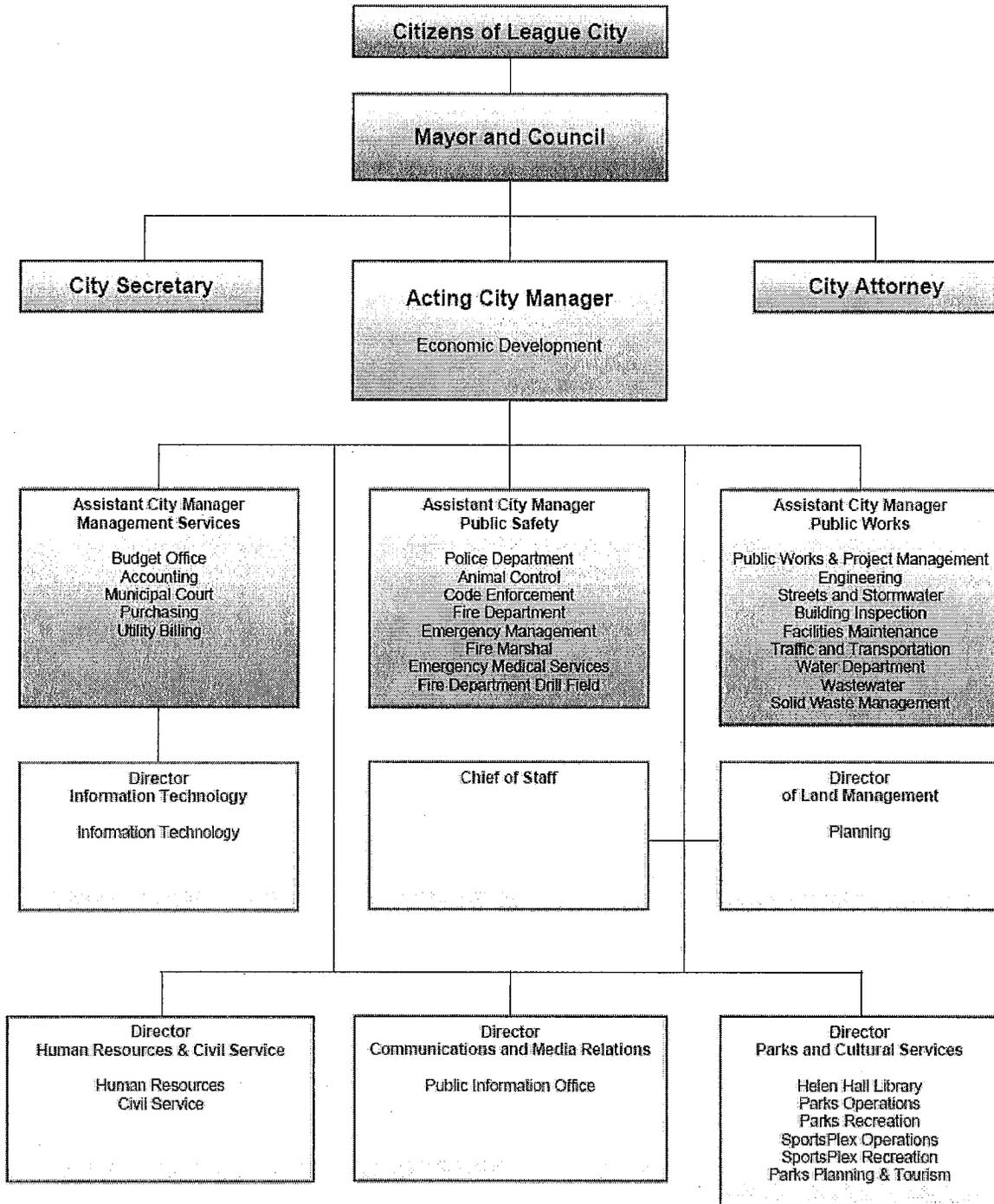
Jeffrey R. Ennis

Executive Director

CITY OF LEAGUE CITY, TEXAS

ORGANIZATIONAL CHART

September 30, 2011



CITY OF LEAGUE CITY, TEXAS

PRINCIPAL CITY OFFICIALS

September 30, 2011

Elected Officials	Position
Tim Paulissen	Mayor
Dan Becker	Council Member
Dennis O'Keeffe	Council Member
Mick Phalen	Council Member
Michael Lee	Council Member
Phyllis Sanborn	Council Member
Andy Mann	Council Member
Joanna Sharp Dawson	Council Member
Appointed Officials	Position
Michael W. Loftin	Acting City Manager
Diana Stapp	City Secretary
Tony Allender	Director of Land Management
Chen Wei	Director of Parks and Cultural Services
Brian Hayes	Director of Human Resources & Civil Service
Ryan Smith	Director of Information Technology
Kristi Wyatt	Director of Communications & Media Relations
David Benson	Chief of Staff
Doug Wologo	Acting Chief of Police
Brad Goudie	Fire Chief

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of League City, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of League City, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information listed as required supplementary information in the table of contents, and schedules of funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

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operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 2, 2012

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

The Statement of Net Assets presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police and fire protection (public safety), streets, drainage (public works), community services, and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater services, as well as interest payments on debt issued for water and wastewater improvements.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

The City maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds for reporting purposes.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and wastewater collection/treatment operations. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for its motor pool services. This internal service fund has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains one fiduciary fund, the insurance trust fund. The City's fiduciary activities are reported in separate statements of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

OTHER INFORMATION

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and schedules of funding progress for the Texas Municipal Retirement System and other post employment benefits for healthcare. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. Assets exceed liabilities by \$333,042,815 as of September 30, 2011 for the primary government. This compares with \$311,307,385 from the prior fiscal year. As required by GASB Statement No. 34, a comparative analysis of government-wide data has been presented as a component of the MD&A. The largest portion of the City's net assets, 76 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 85,935,128	\$ 69,256,901	\$ 88,701,965	\$ 82,564,582	\$ 174,637,093	\$ 151,821,483
Capital assets, net	203,189,094	193,922,421	181,363,881	163,068,860	384,552,975	356,991,281
Total Assets	289,124,222	263,179,322	270,065,846	245,633,442	559,190,068	508,812,764
Long-term liabilities	102,065,894	86,849,077	108,069,072	100,687,100	210,134,966	187,536,177
Other liabilities	8,123,530	5,910,484	7,888,757	4,058,718	16,012,287	9,969,202
Total Liabilities	110,189,424	92,759,561	115,957,829	104,745,818	226,147,253	197,505,379
Net Assets:						
Invested in capital assets, net of related debt	146,115,632	138,986,054	107,392,808	114,732,724	253,508,440	253,718,778
Restricted	11,179,254	10,682,272	6,907,413	1,983,542	18,086,667	12,665,814
Unrestricted	21,639,912	20,751,435	39,807,796	24,171,358	61,447,708	44,922,793
Total Net Assets	\$ 178,934,798	\$ 170,419,761	\$ 154,108,017	\$ 140,887,624	\$ 333,042,815	\$ 311,307,385

A portion of the primary government's net assets, \$18,086,667 or 5 percent represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$61,447,708 or 18 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net assets increased by \$21,735,430 during the current fiscal year. This included an increase of \$8,515,037 in the governmental activities, which primarily was a result of an increase in grant revenues and contributions from developers, along with a decrease of expenses for the public works function. The increase in business-type activities of \$13,220,393 is primarily a result of increased operating revenues received for charges for services.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Statement of Activities:

The following table provides a summary of the City's changes in net assets:

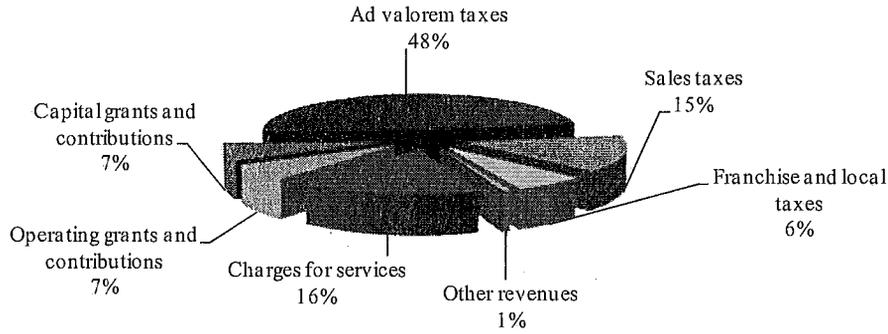
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 12,398,954	\$ 12,987,556	\$ 30,646,567	\$ 25,731,620	\$ 43,045,521	\$ 38,719,176
Operating grants and contributions	4,933,663	2,283,291	-	131,943	4,933,663	2,415,234
Capital grants and contributions	5,154,406	3,062,763	4,410,184	4,671,105	9,564,590	7,733,868
General revenues:						
Ad valorem taxes	36,285,502	36,162,871	-	-	36,285,502	36,162,871
Sales taxes	11,167,925	10,359,528	-	-	11,167,925	10,359,528
Franchise and local taxes	4,927,378	4,831,866	-	-	4,927,378	4,831,866
Investment earnings	146,199	192,401	196,367	214,491	342,566	406,892
Other revenues	572,180	473,164	1,632	17,807	573,812	490,971
Total Revenues	75,586,207	70,353,440	35,254,750	30,766,966	110,840,957	101,120,406
Expenses						
General government	12,458,678	13,532,893	-	-	12,458,678	13,532,893
Public safety	22,078,186	21,024,434	-	-	22,078,186	21,024,434
Public works	25,107,956	30,791,382	-	-	25,107,956	30,791,382
Community services	4,243,548	6,855,694	-	-	4,243,548	6,855,694
Interest and fiscal agent fees	3,868,803	3,500,914	-	-	3,868,803	3,500,914
Water and sewer	-	-	21,348,356	20,288,172	21,348,356	20,288,172
Total Expenses	67,757,171	75,705,317	21,348,356	20,288,172	89,105,527	95,993,489
Increase in Net Assets						
Before Transfers	7,829,036	(5,351,877)	13,906,394	10,478,794	21,735,430	5,126,917
Transfers	686,001	953,006	(686,001)	(953,006)	-	-
Change in Net Assets	8,515,037	(4,398,871)	13,220,393	9,525,788	21,735,430	5,126,917
Beginning Net Assets	170,419,761	174,818,632	140,887,624	131,361,836	311,307,385	306,180,468
Ending Net Assets	\$ 178,934,798	\$ 170,419,761	\$ 154,108,017	\$ 140,887,624	\$ 333,042,815	\$ 311,307,385

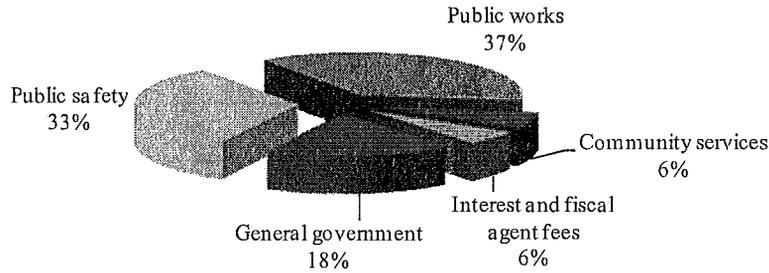
CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

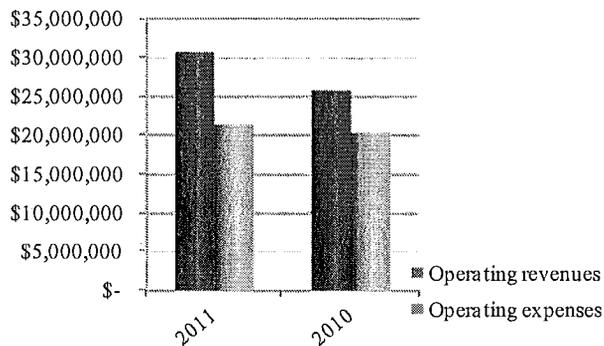
Governmental Activities - Revenues



Governmental Activities - Expenses



Business-Type Activities - Revenues and Expenses



CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

For the year ended September 30, 2011, revenues from governmental activities totaled \$70,431,801, excluding \$5,154,406 in capital grants and contributions, compared with \$67,290,677 in the prior year, excluding \$3,062,763 in prior year capital grants and contributions. This \$3,141,124 increase occurred as the result of \$2,650,372 in additional operating grant revenue, \$808,397 in additional sales tax revenue, \$122,631 in additional property tax revenue, offset by slight increases/decreases in other revenues.

The increase in operating grant revenue is primarily due to a disaster recovery grant received in fiscal year 2011. Sales tax revenue increased as a result of a boost in sales and the receipt of \$250,000 from an audit conducted by the State Comptroller's Office.

Investment earnings continued to decrease in the current year due to low interest rates available in the markets. Investment earnings were \$46,202 less than the prior year, a decline of 24 percent.

Capital grants and contributions increased for governmental activities by \$2,091,643 due to an increase in donations from developers.

Governmental expenses decreased by \$7,948,146. This decrease is primarily due to decreases in expenses related to public works, community services, and general government of \$5,683,426, \$2,612,146, and \$1,074,215, respectively, offset by an increase in public safety and interest expenses of \$1,053,752 and \$367,889, respectively.

The City rebates property taxes to municipal utility districts (MUD) and tax increment reinvestment zones (TIRZ) located inside the City. Total MUD/TIRZ rebates and increments decreased by \$1,389,910 as a result of the termination of Tax Increment Zone #1 during FY2010.

Overall, business-type activity revenues increased by \$4,487,784 from the prior period, including a \$260,921 decline in capital grants due to fewer donations of infrastructure from developers and an increase in charges for service of \$4,914,947. The latter increase is due to increased consumption for the year ended September 30, 2011 due to a hard drought during the year. Water rates remained constant and the number of customers increased by approximately two percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$74,977,187. Of this, \$14,159 is nonspendable, \$2,733,382 is restricted for debt service, \$642,362 for enabling legislation, \$335,506 for emergency management, \$425,471 for public access channel, \$173,489 for grants, \$6,937,890 for the tax increment reinvestment zone, and \$5,190 for the public improvement districts.

There was an increase in the combined fund balance of \$14,936,593 over the prior year. The general fund balance increased by \$939,471, net of transfers to other funds. The debt service fund balance experienced an increase of \$605,059, most of which was a result of a transfer from the general fund to assist with principal and

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

interest payments associated with the issuance of new debt. The remainder of the increase in governmental fund balances stemmed from the positive net change in fund balance for the nonmajor funds.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$4,900,640, while total fund balance reached \$20,725,877. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11 percent of total general fund expenditures, while total fund balance represents 46 percent of that same amount. At year end, the City's operating reserve was \$15,811,078, representing 35 percent of total general fund expenditures.

Proprietary Funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$2,720,311. This budgeted decrease was largely attributable to the use of \$2.6 million for one-time items as allowed by City financial policies. The actual fund balance for the year decreased by \$939,471. Actual revenues exceeded the amended budget by \$185,758 spread across various revenue lines. Actual sales tax revenue exceeded the amended budget amount by \$475,925, while the remaining revenue lines showed positive budget variances, with the exception of licenses and permits, charges for services, and investment earnings.

Actual expenditures were under the original budget by \$574,138 and under the amended budget by \$1,595,082. The majority of this positive variance from the amended budget was a result of under runs in projected expenditures across all departments.

CAPITAL ASSETS

At the end of year 2011, the City's governmental activities funds had invested \$203,189,094 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$9,266,673. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with a net increase in depreciation of \$9,191,966.

Major capital asset events during the current year include the following:

- Developer contributions of infrastructure in the amount of \$5,154,406 for governmental activities and \$4,410,184 for business-type activities. Capital assets additions funded directly by the City in the amount of \$31,833,301 government-wide.
- Eastern Regional Park construction in the amount of \$2,105,921
- Coryell 270 to Wisconsin construction in the amount of \$1,597,062
- Houston Avenue-FM518-SH 3project in the amount of \$1,344,174
- City Hall renovations in the amount of \$1,312,630

More detailed information about the City's capital assets is presented in note III. C to the financial statements.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$204,689,999. Of this amount, \$19,584,999 was general obligation debt, \$94,835,000 was revenue bond debt, \$87,550,000 was certificates of obligation, and contract revenue bonds accounted for the remaining \$2,720,000.

More detailed information about the City's long-term liabilities is presented in note III. D to the financial statements.

Current underlying ratings on debt issues are as follows:

	Moody's Investors Service	Standard and Poor's
Water and sewer system revenue bonds	Aa2	AA
General obligation bonds	Aa2	AA

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

League City has shown stability in the face of ongoing job losses at NASA. Beginning in the summer of 2010, the City has experienced growth in the 2% range as measured by water customers and new home construction permits. The City's FY2012 budget was based on the assumption that this growth rate will continue. Beyond local concerns about NASA and the rising costs for energy, the overriding concern is the potential for a second downturn or "double-dip" recession that could result from the ongoing debate about federal government's deficit and debt as well as the Federal Reserve Board's handling of monetary policy and the unusual amount of mortgage backed assets in its current portfolio. The national economy remains fragile, showing mixed signs of recovery and stagnation, and is vulnerable to a second significant downturn in the next twelve to eighteen months. If this occurs, it would have a negative effect on the League City region and the City itself in spite of the healthy regional expansion currently underway.

Enhancements made in FY 2010 to the City's financial planning and reporting to monitor the impact of the economy on major revenues have continued into FY 2012. Sales taxes continue to be systematically compared with water customers, energy employment, local business conditions and growth in the local retail base to better understand current trends in this volatile revenue source. For the second year in a row a five year operating forecast (Long Range Financial Forecast, LRFF) was prepared that clarified the impact of economic change and program demands on the operating budget. The LRFF also included a study of debt capacity using conservative growth and interest rate assumptions that was used to provide a complete financing plan for the five year capital improvement plan.

To date, revenue and expenditure trends are tracking closely with budget assumptions. Major revenue sources are generally on budget and expenditures appear to be within budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to the Office of the City Secretary, 300 West Walker, League City, TX, 77573, telephone 281-554-1034, or for general City information, visit the City's website at www.leaguecity.com.

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BASIC FINANCIAL STATEMENTS

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and equity in pooled cash	\$ 73,836,229	\$ 8,621,629	\$ 82,457,858	\$ 6,554,353
Investments	4,058,795	19,728,701	23,787,496	-
Receivables, net	6,972,759	4,671,617	11,644,376	320,404
Due from component unit	80,100	-	80,100	-
Restricted cash and cash equivalents	-	54,080,879	54,080,879	-
Inventories	26,470	-	26,470	-
Prepaid items	11,456	-	11,456	-
Deferred charges	949,319	1,599,139	2,548,458	-
	85,935,128	88,701,965	174,637,093	6,874,757
Capital assets:				
Non-depreciable	23,287,405	23,952,208	47,239,613	41,080
Net depreciable capital assets	179,901,689	157,411,673	337,313,362	22,869
	203,189,094	181,363,881	384,552,975	63,949
Total Assets	289,124,222	270,065,846	559,190,068	6,938,706
Liabilities				
Accounts payable and accrued liabilities	7,151,922	6,663,913	13,815,835	205,858
Due to primary government	-	-	-	80,101
Customer deposits	11,254	645,897	657,151	-
Accrued interest payable	502,177	578,947	1,081,124	-
Unearned revenue	458,177	-	458,177	-
	8,123,530	7,888,757	16,012,287	285,959
Noncurrent liabilities:				
Long-term liabilities due within one year	9,453,887	6,941,747	16,395,634	-
Long-term liabilities due in more than one year	92,612,007	101,127,325	193,739,332	-
	102,065,894	108,069,072	210,134,966	-
Total Liabilities	110,189,424	115,957,829	226,147,253	285,959
Net Assets				
Invested in capital assets, net of related debt	146,115,632	107,392,808	253,508,440	63,949
Restricted for:				
Debt service	2,659,346	6,907,413	9,566,759	-
Enabling legislation	642,362	-	642,362	-
Emergency management	335,506	-	335,506	-
Public access channel	425,471	-	425,471	-
Grants	173,489	-	173,489	-
Tax increment reinvestment	6,937,890	-	6,937,890	-
Public improvement district	5,190	-	5,190	-
Unrestricted	21,639,912	39,807,796	61,447,708	6,588,798
Total Net Assets	\$ 178,934,798	\$ 154,108,017	\$ 333,042,815	\$ 6,652,747

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 12,458,678	\$ 3,397,307	\$ 1,232,541	\$ -
Public safety	22,078,186	-	1,312,944	-
Public works	25,107,956	4,659,274	-	5,154,406
Community services	4,243,548	4,342,373	2,388,178	-
Interest and fiscal agent fees	3,868,803	-	-	-
Total Governmental Activities	67,757,171	12,398,954	4,933,663	5,154,406
Business-Type Activities				
Water and sewer	21,348,356	30,646,567	-	4,410,184
Total Business-Type Activities	21,348,356	30,646,567	-	4,410,184
Total Primary Government	\$ 89,105,527	\$ 43,045,521	\$ 4,933,663	\$ 9,564,590
Component Units	\$ 1,538,635	\$ -	\$ 12,285	\$ -
Total Component Units	\$ 1,538,635	\$ -	\$ 12,285	\$ -

General Revenues:

- Ad valorem taxes
- Sales taxes
- Franchise and local taxes
- Investment earnings
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (7,828,830)	\$ -	\$ (7,828,830)	\$ -
(20,765,242)	-	(20,765,242)	-
(15,294,276)	-	(15,294,276)	-
2,487,003	-	2,487,003	-
(3,868,803)	-	(3,868,803)	-
<u>(45,270,148)</u>	<u>-</u>	<u>(45,270,148)</u>	<u>-</u>
-	13,708,395	13,708,395	-
-	<u>13,708,395</u>	<u>13,708,395</u>	<u>-</u>
(45,270,148)	13,708,395	(31,561,753)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,526,350)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,526,350)</u>
36,285,502	-	36,285,502	-
11,167,925	-	11,167,925	1,841,913
4,927,378	-	4,927,378	-
146,199	196,367	342,566	8,310
572,180	1,632	573,812	-
686,001	(686,001)	-	-
<u>53,785,185</u>	<u>(488,002)</u>	<u>53,297,183</u>	<u>1,850,223</u>
8,515,037	13,220,393	21,735,430	323,873
<u>170,419,761</u>	<u>140,887,624</u>	<u>311,307,385</u>	<u>6,328,874</u>
<u>\$ 178,934,798</u>	<u>\$ 154,108,017</u>	<u>\$ 333,042,815</u>	<u>\$ 6,652,747</u>

CITY OF LEAGUE CITY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and equity in pooled cash	\$ 15,490,075	\$ 2,825,341	\$ 54,826,474	\$ 73,141,890
Investments	4,058,795	-	-	4,058,795
Receivables, net	5,907,062	382,144	643,223	6,932,429
Due from component unit	-	-	80,100	80,100
Inventory	2,703	-	-	2,703
Prepaid items	11,456	-	-	11,456
	Total Assets	\$ 3,207,485	\$ 55,549,797	\$ 84,227,373
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 2,980,313	\$ 128,244	\$ 4,013,124	\$ 7,121,681
Customer deposits	11,254	-	-	11,254
Deferred revenue	1,752,647	345,859	18,745	2,117,251
	Total Liabilities	474,103	4,031,869	9,250,186
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	11,456	-	-	11,456
Inventory	2,703	-	-	2,703
Restricted for:				
Debt service	-	2,733,382	-	2,733,382
Enabling legislation	-	-	642,362	642,362
Emergency management	-	-	335,506	335,506
Public access channel	-	-	425,471	425,471
Grants	-	-	173,489	173,489
Tax increment reinvestment zone	-	-	6,937,890	6,937,890
Public improvement district	-	-	5,190	5,190
Assigned to:				
Operating reserve	15,811,078	-	-	15,811,078
Special revenue funds	-	-	3,840,684	3,840,684
Capital project funds	-	-	39,157,336	39,157,336
Unassigned	4,900,640	-	-	4,900,640
	Total Fund Balances	2,733,382	51,517,928	74,977,187
	Total Liabilities and Fund Balances	\$ 3,207,485	\$ 55,549,797	\$ 84,227,373

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2011

Total fund balances for governmental funds		\$ 74,977,187
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable	23,287,405	
Capital assets - depreciable	<u>173,820,139</u>	197,107,544
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		1,659,074
Internal services funds are used by management to charge the costs of of certain capital assets to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.		
		6,809,745
Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.		
Accrued interest	(502,177)	
Deferred charges	949,319	
Non-current liabilities due in one year	(9,453,887)	
Non-current liabilities due in more than one year	<u>(92,612,007)</u>	<u>(101,618,752)</u>
Net Assets of Governmental Activities		<u>\$ 178,934,798</u>

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 19,929,777	\$ 11,019,196	\$ 5,327,881	\$ 36,276,854
Sales taxes	11,167,925	-	-	11,167,925
Franchise fees	4,657,634	-	-	4,657,634
Other taxes	-	-	269,744	269,744
Special assessments	-	-	2,874,247	2,874,247
Licenses and permits	1,785,027	-	-	1,785,027
Fines and forfeitures	1,871,106	-	1,622,446	3,493,552
Charges for services	4,150,633	-	191,740	4,342,373
Other revenue	230,427	14,429	327,324	572,180
Contributions	-	-	1,232,541	1,232,541
Investment earnings	47,085	23,525	75,139	145,749
Intergovernmental	1,312,944	-	2,388,178	3,701,122
Total Revenues	45,152,558	11,057,150	14,309,240	70,518,948
Expenditures				
Current:				
General government	9,585,484	3,034,171	174,370	12,794,025
Public safety	19,496,258	-	1,680,921	21,177,179
Public works	11,689,655	-	4,191,692	15,881,347
Community services	4,553,807	-	575,092	5,128,899
Capital Outlay	-	-	11,349,256	11,349,256
Debt Service:				
Principal	-	5,048,159	1,430,000	6,478,159
Interest and fiscal charges	-	3,014,561	834,930	3,849,491
Total Expenditures	45,325,204	11,096,891	20,236,261	76,658,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,646)	(39,741)	(5,927,021)	(6,139,408)
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	20,390,000	20,390,000
Transfers in	2,000,000	644,800	2,122,025	4,766,825
Transfers (out)	(2,766,825)	-	(1,313,999)	(4,080,824)
Total Other Financing Sources (Uses)	(766,825)	644,800	21,198,026	21,076,001
Net Change in Fund Balances	(939,471)	605,059	15,271,005	14,936,593
Beginning Fund Balances	21,665,348	2,128,323	36,246,923	60,040,594
Ending Fund Balances	\$ 20,725,877	\$ 2,733,382	\$ 51,517,928	\$ 74,977,187

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Net changes in fund balances - total governmental funds \$ 14,936,593

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(7,840,188)
Capital outlay	11,231,994

Capital contributions by outside entities are not recorded in governmental funds as the contributions do not represent current financial resources.	5,154,406
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(87,598)
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Certificates of obligation issued	(20,390,000)
General obligation bonds issued	(685,000)
Principal repayments	6,478,159
Amortization of deferred charges	54,724
Accrued interest	(74,036)
Compensated absences	(12,985)
Net other post employment benefits obligation	(103,521)
Net pension obligation	(518,555)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>371,044</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 8,515,037</u></u>
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See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2011

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service Fund
<u>Assets</u>		
Current assets:		
Cash and equity in pooled cash	\$ 8,621,629	\$ 694,339
Investments	19,728,701	-
Receivables, net	4,671,617	40,330
Inventories	-	23,767
Restricted cash and cash equivalents:		
Customer deposits	645,897	-
Capital projects	45,948,622	-
Debt service	7,486,360	-
Total Current Assets	87,102,826	758,436
Noncurrent assets:		
Deferred charges	1,599,139	-
Capital assets:		
Non-depreciable	23,952,208	-
Net depreciable capital assets	157,411,673	6,081,550
Total Capital Assets, Net of Accumulated Depreciation	181,363,881	6,081,550
Total Noncurrent Assets	182,963,020	6,081,550
Total Assets	270,065,846	6,839,986
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	6,663,913	30,241
Accrued interest	578,947	-
Customer deposits	645,897	-
Compensated absences	371,842	-
Bonds, notes, and loans payable	6,569,905	-
Total Current Liabilities	14,830,504	30,241
Noncurrent liabilities:		
Compensated absences	41,316	-
Net other post employment benefits obligation	73,458	-
Net pension obligation	218,809	-
Bonds, notes, and loans payable	100,793,742	-
Total Noncurrent Liabilities	101,127,325	-
Total Liabilities	115,957,829	30,241
<u>Net Assets</u>		
Invested in capital assets, net of related debt	107,392,808	6,081,550
Restricted for debt service	6,907,413	-
Unrestricted	39,807,796	728,195
Total Net Assets	\$ 154,108,017	\$ 6,809,745

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended September 30, 2011

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service Fund
<u>Operating Revenues</u>		
Charges for services	\$ 30,646,567	\$ 2,834,010
Other	-	15,054
Total Operating Revenues	30,646,567	2,849,064
<u>Operating Expenses</u>		
Personnel	5,363,971	657,561
Contractual services	4,077,368	9,195
Utilities	1,533,427	-
Repairs and maintenance	1,184,800	552,513
Other supplies and expenses	994,419	66,568
Depreciation	3,628,427	1,246,561
Total Operating Expenses	16,782,412	2,532,398
Operating Income	13,864,155	316,666
<u>Nonoperating Revenues (Expenses)</u>		
Investment earnings	196,367	450
Interest expense	(4,565,944)	-
Gain (loss) on disposal of capital assets	1,632	53,928
Total Nonoperating (Expenses)	(4,367,945)	54,378
Income Before Contributions and Transfers	9,496,210	371,044
Capital contributions	4,410,184	-
Transfers in	1,313,999	-
Transfers (out)	(2,000,000)	-
Change in Net Assets	13,220,393	371,044
Beginning Net Assets	140,887,624	6,438,701
Ending Net Assets	\$ 154,108,017	\$ 6,809,745

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2011

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 29,929,181	\$ 2,808,734
Payments to suppliers	(3,980,116)	(691,576)
Payments to employees	(5,251,863)	(657,561)
Net Cash Provided by Operating Activities	20,697,202	1,459,597
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers in from other funds	1,313,999	-
Transfers (out) to other funds	(2,000,000)	-
Net Cash (Used) by Noncapital Financing Activities	(686,001)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal payments on debt	(8,093,288)	-
Proceeds from debt issuance	15,290,000	-
Acquisition and construction of capital assets	(19,647,338)	(1,967,022)
Capital recovery fees	2,134,074	-
Interest paid on debt	(4,565,944)	-
Proceeds from sale of capital assets	1,632	53,928
Net Cash (Used) by Capital and Related Financing Activities	(14,880,864)	(1,913,094)
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales and maturities of investments	11,278,148	-
Purchase of investments	(21,674,834)	-
Interest on investments	196,367	450
Net Cash Provided (Used) by Investing Activities	(10,200,319)	450
Net (Decrease) in Cash and Equivalents	(5,069,982)	(453,047)
Beginning Cash and Cash Equivalents	67,772,490	1,147,386
Ending Cash and Cash Equivalents	\$ 62,702,508	\$ 694,339
Unrestricted Cash and Cash Equivalents	\$ 8,621,629	\$ 694,339
Restricted Cash and Cash Equivalents	54,080,879	-
Total Cash and Cash Equivalents	\$ 62,702,508	\$ 694,339

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2011

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service Fund
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 13,864,155	\$ 316,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,628,427	1,246,561
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(737,527)	(40,330)
Inventories	-	(14,216)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	3,809,898	(49,084)
Compensated absences	(1,963)	-
Customer deposits	20,141	-
Net other post employment benefit obligation	21,203	-
Net pension obligation	92,868	-
	\$ 20,697,202	\$ 1,459,597
Noncash Capital Activities:		
Capital assets contributed during the year	\$ 2,276,109	\$ -

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2011

	4B Economic Development Corporation	Volunteer Fire Department	Total Discretely Presented Component Units
<u>Assets</u>			
Current Assets:			
Cash and equity in pooled cash	\$ 6,502,745	\$ 51,608	\$ 6,554,353
Receivables, net	320,404	-	320,404
Total Current Assets	6,823,149	51,608	6,874,757
Noncurrent Assets:			
Capital assets:			
Non-depreciable	-	41,080	41,080
Net depreciable capital assets	-	22,869	22,869
Total Capital Assets, Net	-	63,949	63,949
Total Noncurrent Assets	-	63,949	63,949
Total Assets	6,823,149	115,557	6,938,706
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	205,858	-	205,858
Due to primary government	80,101	-	80,101
Total Liabilities	285,959	-	285,959
<u>Net Assets</u>			
Invested in capital assets, net of related debt	-	63,949	63,949
Unrestricted	6,537,190	51,608	6,588,798
Total Net Assets	\$ 6,537,190	\$ 115,557	\$ 6,652,747

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Component Units			
4B Economic Development Corporation	\$ 1,530,403	\$ -	\$ -
Volunteer Fire Department	8,232	-	12,285
Total Component Units	<u>\$ 1,538,635</u>	<u>\$ -</u>	<u>\$ 12,285</u>

General Revenues:

Sales taxes

Investment earnings

Total General Revenues

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

4B Economic Development Corporation	Volunteer Fire Department	Total
\$ (1,530,403)	\$ -	\$ (1,530,403)
-	4,053	4,053
<u>\$ (1,530,403)</u>	<u>\$ 4,053</u>	<u>\$ (1,526,350)</u>
\$ 1,841,913	\$ -	\$ 1,841,913
8,310	-	8,310
<u>1,850,223</u>	<u>-</u>	<u>1,850,223</u>
319,820	4,053	323,873
<u>6,217,370</u>	<u>111,504</u>	<u>6,328,874</u>
<u>\$ 6,537,190</u>	<u>\$ 115,557</u>	<u>\$ 6,652,747</u>

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CITY OF LEAGUE CITY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
For the Year Ended September 30, 2011

		<u>Insurance Trust Fund</u>
<u>Operating Revenues</u>		
Charges for services		\$ 3,506,977
	Total Operating Revenues	<u>3,506,977</u>
<u>Operating Expenses</u>		
Insurance		3,506,977
	Total Operating Expenses	<u>3,506,977</u>
	Operating Income	<u>-</u>
	Change in Net Assets	-
Beginning Net Assets		<u>-</u>
	Ending Net Assets	<u><u>\$ -</u></u>

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of League City, Texas (the "City") was incorporated in May 1962 and adopted a "Home Rule Charter" which provided for a "Mayor-Council" form of government. In May 2010, the voters of the City approved various amendments to the City charter, including adoption of the Council Manager form of government and the creation of the office of the City Manager. A Mayor and seven Council members are elected by voters of the City at large for three-year terms.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the charter or by ordinance. The Mayor is the presiding officer of the City Council and does not vote except in the case of a tie vote.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: public safety (police, fire, and EMS), public works, water and sewer services, solid waste collection and disposal (contract), community services, and general government.

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Discretely Presented Component Units

Major Component Units

City of League City Section 4B Economic Development Corporation

All powers of the 4B Economic Development Corporation (the "Corporation") are vested in a Board consisting of seven (7) persons who are appointed by the City Council. The Board acts on behalf of the City in administering the provisions of Section 4B, Article 5190.6, of the Development Act of 1979, State of Texas. The Corporation is funded by a one-quarter percent local sales and use tax approved by local voters. The Corporation is fiscally dependent on the City because the capital budgets are approved by City Council. In addition, the Corporation is prohibited from issuing bonded debt without approval of the City Council.

League City Volunteer Fire Department

The members of the governing board are appointed by City Council. A budget is approved annually to provide fire protection to the citizens of the City. In fiscal year 2011, the City hired a full time fire chief, who provides leadership and direction for the volunteer fire department and the volunteers.

Blended Component Units

City of League City Tax Increment Reinvestment Zone (TIRZ) No. Two – Victory Lakes

Five of the seven members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The Clear Creek Independent School District (CCISD) is a participant in this TIRZ and appoints one member to the Board. The County of Galveston is also a participant and appoints the remaining member of the Board. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the TIRZ. The TIRZ allows developers to create the infrastructure to the master planned community and business park. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ is responsible for reimbursing the developer for the infrastructure costs.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

City of League City Tax Increment Reinvestment Zone (TIRZ) No. Three – CenterPointe

Six of the seven members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The remaining board member is appointed by the County of Galveston. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the Zone. The TIRZ allows developers to create the infrastructure to the master planned community and business park. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ is responsible for reimbursing the developer for the infrastructure costs.

City of League City Tax Increment Reinvestment Zone (TIRZ) No. Four – Westwood

Six of the nine members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The other three board members are represented by a County appointee, the State Senator for the area or designee, and the State Representative for the area or designee. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ allows developers to create the infrastructure to the master planned community and business park. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ is responsible for reimbursing the developer for the infrastructure costs.

City of League City Public Improvement District No. One – Magnolia Creek

City Council approved an ordinance terminating Tax Increment Reinvestment Zone (TIRZ) No. One on August 14, 2010. However, the TIRZ Board will still continue to oversee the operations of the Public Improvement District (PID) created in conjunction with the TIRZ. The PID was created to assist in the financing of the residential costs of a master planned community. The revenues are derived from an assessment levied against each residential lot and are used to reimburse the developer for infrastructure costs. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 15-20 years.

City of League City Public Improvement District No. Two – Victory Lakes

The TIRZ Board oversees the operations of the Public Improvement District (PID) created in conjunction with the TIRZ. This entity was created to assist in the financing of the residential cost of a master planned community. The revenues are derived from an assessment levied against each residential lot. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 15-20 years.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

City of League City Public Improvement District No. Three – CenterPointe

The TIRZ Board oversees the operations of the Public Improvement District (PID) created in conjunction with the TIRZ. This entity was created to assist in the financing of the residential cost of a master planned community. The revenues are derived from an assessment levied against each residential lot. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 15-20 years.

City of League City Public Improvement District No. Five – Park on Clear Creek

The Park on Clear Creek Development Authority oversees the operations of the Public Improvement District (PID). This entity was created to assist in the financing of the residential cost of a master planned community. The revenues are derived from an assessment levied against each residential lot. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 25 years.

The component units identified above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will on them or a financial benefit/burden exists.

Complete financial statements of the individual component units can be obtained directly from administrative offices of the City.

Not included as part of the City's reporting entity are 15 municipal utility districts (MUDs). The City acts as an "operator" of the facilities. The City rebates to seven of the districts from four to 40 percent of taxes levied and collected within the MUDs but does not guarantee the debt of the MUDs. The MUDs' Boards of Directors are elected officials and the City exercises no control over the Boards of Directors. The MUDs construct the facilities and issue bonds to finance such facilities. The MUDs release their security interest in the facilities to the City, and the City operates and maintains the systems.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements, however, interfund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and community services. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes.

Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects funds are considered nonmajor funds for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The proprietary fund types used by the City include the following:

Enterprise Fund

The enterprise fund is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and wastewater fund is considered a major fund for reporting purposes.

Additionally, the City reports the following proprietary fund type:

Internal Service Fund

Internal service funds account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The City's internal service fund is used to account for motor pool services, which are financed from systematic transfers from general governmental and enterprise funds.

Fiduciary Fund Types

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains one fiduciary fund, the insurance trust fund. The insurance trust fund is used to account for premiums paid on a group health insurance plan, which provides coverage for City employees. The City's fiduciary activities are reported in separate statements of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide Statements of Net Assets and Statements of Activities and all proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Government-wide, proprietary fund and fiduciary fund equity consists of net assets. Revenues are recorded when earned and measurable. Expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental funds are accounted for using a current financial resources measurement focus which is the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. An accompanying schedule is presented to reconcile and explain the differences in fund balances and

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

changes in fund balance as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools (TexPool and TexSTAR), and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and TexStar, are reported using the pools' share price.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Banker's acceptance
- Statewide investment pools

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by an assigned fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors that reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 years
Equipment	5 to 20 years
Water and sewer system	50 years
Infrastructure	50 years

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment.

<u>Length of Service</u> <u>(Months)</u>	<u>Maximum Vacation Leave Accrual</u>
1-60	160 hours
61-120	240 hours
121-180	320 hours
181-240	400 hours
More than 240	480 hours

Upon retirement from the City, an employee will receive compensation for unused sick leave hours up to a maximum of 720 hours. Civil service personnel are also compensated for accrued sick leave for up to 90 days upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Assets. The long-term debt consists primarily of bonds, certificates of obligation payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payments of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Fund Equity

Fund balances of governmental funds are classified as follows:

Nonspendable fund balance – represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

Committed fund balance – represents amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned fund balance – represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assignments can be made at any time.

Unassigned fund balance – represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

9. Post Employment Healthcare Benefits

The City provides post employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs. In January 2004, the City approved the payment of health insurance premiums for eligible retirees. Coverage is offered to those employees who are at least 60 years of age and who are retiring with 20 years of service with the City. The retiree cost for health insurance will be covered until the retiree reaches the age of 65. At this time, the retiree would then be eligible for the Medicare Part B coverage at their own expense.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt a project length budget. In addition, the following special revenue funds do not have an adopted budget: Tax Increment Financing Zone No. One, Tax Increment Financing Zone No. Two, Tax Increment Financing Zone No. Three, Tax Increment Financing Zone No. Four, Public Improvement District No. One, Public Improvement District No. Two, Public Improvement District No. Three, Public Improvement District No. Five, Butler Museum Fund, Energy Efficiency Grant Fund, Right of Way Fund, South Shore Harbour (SSH) MUD #3 Fund, Severe Repetitive Loss (SRL) Grant Fund, and TDRA Disaster Recovery Fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control, as defined by the charter, in the approved budget is at the department level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2011.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
U.S. agencies	\$ 17,719,447	21.99
Certificates of deposit	6,067,081	12.33
External investment pools:		
TexPool	90,461,020	0.58
TexStar	41,555,609	0.27
Total fair value	<u>\$ 155,803,157</u>	
Portfolio weighted average maturity		35.17

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's policy requires that investment pools must be rated no lower than AAA or AAA-m. Banker's acceptances must be issued in the United States and carry a rating of A1/P1 as provided by two of the top nationally recognized rating agencies. As of September 30, 2011, the City's investments in TexPool and TexStar were rated AAAM by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency. More specifically, the U.S. agency securities held by the City as of September 30, 2011 consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. These investments were rated not less than AAA by both Moody's and Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2011, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexPool and TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexSTAR use amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool and TexSTAR are the same as the value of TexPool and TexSTAR shares.

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Water and Wastewater</u>	<u>Total</u>
Ad valorem taxes	\$ 999,306	\$ 576,322	\$ 3,159	\$ -	\$ 1,578,787
Other taxes	3,292,841	-	188,018	-	3,480,859
Accounts	3,300,754	-	84,278	4,758,262	8,143,294
Intergovernmental	553,263	-	368,576	-	921,839
Other	51,644	-	-	-	51,644
Less allowance	(2,290,746)	(194,178)	(808)	(86,645)	(2,572,377)
	<u>\$ 5,907,062</u>	<u>\$ 382,144</u>	<u>\$ 643,223</u>	<u>\$ 4,671,617</u>	<u>\$ 11,604,046</u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

C. Capital Assets

A summary of changes in capital assets for the year end were as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Reclassifications/ (Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 11,857,765	\$ 278,792	\$ -	\$ 12,136,557
Construction in progress	4,665,517	7,501,137	(1,015,806)	11,150,848
Total capital assets not being depreciated	<u>16,523,282</u>	<u>7,779,929</u>	<u>(1,015,806)</u>	<u>23,287,405</u>
Other capital assets:				
Infrastructure	272,298,167	7,122,226	-	279,420,393
Buildings and improvements	34,814,392	131,869	-	34,946,261
Machinery and equipment	23,606,345	4,440,421	(395,723)	27,651,043
Total other capital assets	<u>330,718,904</u>	<u>11,694,516</u>	<u>(395,723)</u>	<u>342,017,697</u>
Less accumulated depreciation for:				
Infrastructure	(123,428,472)	(5,483,812)	-	(128,912,284)
Buildings and improvements	(15,264,640)	(1,756,806)	-	(17,021,446)
Machinery and equipment	(14,626,653)	(1,951,348)	395,723	(16,182,278)
Total accumulated depreciation	<u>(153,319,765)</u>	<u>(9,191,966)</u>	<u>395,723</u>	<u>(162,116,008)</u>
Other capital assets, net	<u>177,399,139</u>	<u>2,502,550</u>	<u>-</u>	<u>179,901,689</u>
Totals	<u>\$ 193,012,016</u>	<u>\$ 10,282,479</u>	<u>\$ (1,015,806)</u>	203,189,094
		Less associated debt		(97,139,924)
		Plus unspent proceeds		<u>40,066,462</u>
		Invested in Capital Assets, Net of Related Debt		<u>\$ 146,115,632</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 79,197
Public safety	1,572,206
Public works	5,911,911
Community services	1,628,652
Total Governmental Activities Depreciation Expense	<u>\$ 9,191,966</u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Construction in progress and remaining commitments under related construction contracts for general government construction projects at year end were as follows:

Governmental Activities:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Madera Regional Detention	\$ 200,000	\$ 167,453	\$ 32,547
Robinson Bayou Bank Stabilization	393,300	63,904	329,396
City Hall Renovations	1,430,399	1,312,630	117,769
Public Safety & Court Center	14,060,000	199,658	13,860,342
Eastern Regional Park	11,490,107	3,082,430	8,407,677
Clear Creek Paddle Trail	69,600	52,553	17,047
FM518 Bypass	1,367,757	1,222,881	144,876
Coryell-270 to Wisconsin	1,938,009	1,902,862	35,147
Louisiana Avenue	23,100	10,950	12,150
Austin-La to FM270	248,721	186,407	62,314
Houston Ave	2,870,124	1,590,587	1,279,537
2009 Storm Sewer Rehab	536,288	529,117	7,171
Five Corners Realignment	662,850	358,110	304,740
Kansas Ave	397,900	49,984	347,916
Texas Avenue	505,870	81,792	424,078
	<u>\$ 36,194,025</u>	<u>\$ 10,811,318</u>	<u>\$ 25,382,707</u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The following is a summary of changes in capital assets for business-type activities for the year ended:

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 974,118	\$ 141,296	\$ -	\$ 1,115,414
Construction in progress	30,839,892	17,500,748	(25,503,846)	22,836,794
Total capital assets not being depreciated	31,814,010	17,642,044	(25,503,846)	23,952,208
Other capital assets:				
Infrastructure	146,860,558	2,947,042	25,503,846	175,311,446
Water rights	14,528,975	-	-	14,528,975
Buildings and improvements	648,991	-	-	648,991
Machinery and equipment	4,504,579	1,334,360	-	5,838,939
Total other capital assets	166,543,103	4,281,402	25,503,846	196,328,351
Less accumulated depreciation for:				
Infrastructure	(28,447,958)	(3,015,762)	-	(31,463,720)
Water rights	(2,710,326)	(298,659)	-	(3,008,985)
Buildings and improvements	(280,428)	(35,216)	-	(315,644)
Machinery and equipment	(3,849,541)	(278,788)	-	(4,128,329)
Total accumulated depreciation	(35,288,253)	(3,628,425)	-	(38,916,678)
Other capital assets, net	131,254,850	652,977	25,503,846	157,411,673
Totals	\$ 163,068,860	\$ 18,295,021	\$ -	181,363,881
				Less associated debt (107,363,647)
				Plus unspent bond proceeds 33,392,574
				Invested in Capital Assets, Net of Related Debt \$ 107,392,808

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 3,628,425
Total Business-Type Activities Depreciation Expense	\$ 3,628,425

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Construction in progress and remaining commitments under related construction contracts for enterprise fund projects at year end were as follows:

Business-Type Activities:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Southwest WWTP	\$ 30,949,813	\$ 17,239,394	\$ 13,710,419
North Service Area	371,000	313,543	57,457
FW11 LS Upgrade	237,150	125,100	112,050
Magnolia Creek South FM Diversion	180,950	115,600	65,350
Butler Road LS & FM	250,184	219,696	30,488
West Main LS/FM	192,008	167,943	24,065
30" Waterline, West Side	236,000	108,761	127,239
Beamer Road Waterline Extension	497,300	421,000	76,300
Northside Water Booster	369,000	325,000	44,000
East Side Elevated Water Tower	551,050	258,050	293,000
South Shore Harbour Pump Station	608,800	121,000	487,800
Water Meter Replacement Program	66,000	43,560	22,440
Southeast Service Area Trunks	30,500	22,400	8,100
TXDOT FM646 Widening	191,729	148,259	43,470
SH3 Water Booster Station	50,000	17,205	32,795
2005 Sanitary Sewer Rehabilitation	3,002,894	2,964,590	38,304
Total	\$ 37,784,378	\$ 22,611,101	\$ 15,173,277

The following is a summary of changes in capital assets for discretely presented component units for the year ended:

	<u>Component Unit</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ (Decreases)</u>	<u>Ending Balance</u>
Component Unit Activities:				
Capital assets not being depreciated:				
Land	\$ 41,080	\$ -	\$ -	\$ 41,080
Total capital assets not being depreciated	41,080	-	-	41,080
Other capital assets:				
Buildings and improvements	115,013	-	-	115,013
Machinery and equipment	63,920	-	-	63,920
Total other capital assets	178,933	-	-	178,933
Less accumulated depreciation for:				
Buildings and improvements	(102,772)	(2,073)	-	(104,845)
Machinery and equipment	(47,090)	(4,129)	-	(51,219)
Total accumulated depreciation	(149,862)	(6,202)	-	(156,064)
Other capital assets, net	29,071	(6,202)	-	22,869
Total	\$ 70,151	\$ (6,202)	\$ -	\$ 63,949

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 11,163,750	\$ 685,000	\$ 2,188,160	\$ 9,660,590 *	\$ 2,130,095
Certificates of obligation	71,450,000	20,390,000	4,290,000	87,550,000 *	4,385,000
Unamortized debt items	(55,582)	-	(15,084)	(70,666) *	-
	<u>82,558,168</u>	<u>21,075,000</u>	<u>6,463,076</u>	<u>97,139,924</u>	<u>6,515,095</u>
Other liabilities:					
Compensated absences	3,252,339	2,235,539	2,222,554	3,265,324	2,938,792
Net OPEB obligation	255,125	103,521	-	358,646	-
Net pension obligation	783,445	518,555	-	1,302,000	-
	<u>4,290,909</u>	<u>2,857,615</u>	<u>2,222,554</u>	<u>7,370,485</u>	<u>2,938,792</u>
Total Governmental Activities	<u>\$ 86,849,077</u>	<u>\$ 23,932,615</u>	<u>\$ 8,685,630</u>	<u>\$ 102,065,894</u>	<u>\$ 9,453,887</u>
			Long-term debt due in more than one year	<u>\$ 92,612,007</u>	
Business-Type Activities:					
Revenue bonds	\$ 83,175,000	\$ 13,040,000	\$ 1,380,000	\$ 94,835,000 **	\$ 1,960,000
General obligation bonds	13,721,250	-	3,796,841	9,924,409 **	3,944,905
Contract revenue bonds	3,440,000	2,250,000	2,970,000	2,720,000 **	665,000
(Less) unamortized premiums, and discounts	(242,467)	85,351	(41,354)	(115,762) **	-
	<u>\$ 100,093,783</u>	<u>\$ 15,375,351</u>	<u>\$ 8,105,487</u>	<u>\$ 107,363,647</u>	<u>\$ 6,569,905</u>
Other liabilities:					
Compensated absences	415,121	390,252	392,215	413,158	371,842
Net OPEB obligation	52,255	21,203	-	73,458	-
Net pension obligation	125,941	92,868	-	218,809	-
	<u>593,317</u>	<u>484,323</u>	<u>392,215</u>	<u>705,425</u>	<u>371,842</u>
Total Business-Type Activities	<u>\$ 100,687,100</u>	<u>\$ 15,879,674</u>	<u>\$ 8,497,702</u>	<u>\$ 108,069,072</u>	<u>\$ 6,941,747</u>
			Long-term debt due in more than one year	<u>\$ 101,127,325</u>	
* Debt associated with governmental activity capital assets				<u>\$ 97,139,924</u>	
** Debt associated with business-type activity capital assets				<u>\$ 107,363,647</u>	

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Long-term debt at year end was comprised of the following debt issues:

Governmental Activities:

Series	Original Issue	Interest Rate	Balance
General Obligation Bonds			
2002 General Obligation Refunding Bonds	\$ 2,935,670	3.25% to 4.75%	\$ 1,093,872
2003 General Obligation Refunding Bonds	\$ 9,350,320	2.00% to 4.00%	6,095,863
2007 General Obligation Refunding Bonds	\$ 5,211,280	4.00% to 4.12%	1,970,855
1997 Refunding Bonds (SSH MUD #3)	\$ 3,240,000	4.50% to 5.30%	500,000
	Total General Obligation Bonds		<u>9,660,590</u>
Certificates of Obligation			
2003A Tax and Revenue Certificates of Obligation	\$ 7,500,000	2.00% to 4.25%	5,080,000
2003B Tax and Revenue Certificates of Obligation	\$ 10,350,000	2.00% to 4.25%	10,165,000
2003C Tax and Revenue Certificates of Obligation	\$ 3,135,000	1.50% to 4.00%	1,270,000
2004A Tax and Revenue Certificates of Obligation	\$ 5,070,000	3.00% to 5.00%	4,095,000
2004B Tax and Revenue Certificates of Obligation	\$ 4,675,000	3.60% to 4.38%	4,420,000
2005A Tax and Revenue Certificates of Obligation *	\$ 8,500,000	4.00% to 4.50%	5,805,000
2006A Tax and Revenue Certificates of Obligation	\$ 4,695,000	4.15% to 6.00%	3,915,000
2008 Tax and Revenue Certificates of Obligation	\$ 15,500,000	4.00% to 5.00%	14,525,000
2009 Tax and Revenue Certificates of Obligation	\$ 11,600,000	3.13% to 5.13%	10,260,000
2010 Tax and Revenue Certificates of Obligation *	\$ 10,000,000	3.13% to 5.13%	8,425,000
2011 Tax and Revenue Certificates of Obligation *	\$ 20,390,000	2.75% to 4.75%	19,590,000
	Total Certificates of Obligation		<u>87,550,000</u>
Total Governmental Activities Long-Term Debt			<u>\$ 97,210,590</u>

* The repayment of all or a portion of this general obligation debt is expected to be paid from revenues other than ad valorem tax revenues, including payments from tax increment reinvestment zones and payments from the 4B Development Corporation. Payments from tax increment reinvestment zones and the 4B Development Corporation may not be legally pledged to the obligations to which their payments are expected to be dedicated, but are contractually obligated to be paid to the City for that purpose.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Business-Type Activities:

Series	Original Issue	Interest Rate	Balance
Revenue Bonds			
2002 Water Works & Sewer System Revenue Bonds	\$ 4,310,000	4.50% to 5.50%	\$ 2,365,000
2004 Water Works & Sewer System Revenue Bonds	\$ 12,790,000	3.00% to 4.50%	10,045,000
2005 Water Works & Sewer System Revenue Refunding Bonds	\$ 8,170,000	3.87% to 3.87%	5,410,000
2008 Water Works & Sewer System Revenue Bonds	\$ 26,775,000	4.00% to 5.00%	26,775,000
2009 Water Works & Sewer System Revenue Bonds	\$ 37,200,000	3.00% to 5.00%	37,200,000
2011 Water Works & Sewer System Revenue Bonds	\$ 13,040,000	3.00% to 4.50%	13,040,000
		Total Revenue Bonds	<u>94,835,000</u>
General Obligation Bonds			
2002 General Obligation Refunding Bonds *	\$ 4,749,330	3.25% to 4.75%	771,128
2003 General Obligation Refunding Bonds *	\$ 1,969,680	2.00% to 4.00%	1,334,137
2007 General Obligation Refunding Bonds *	\$ 16,303,720	4.00% to 4.12%	7,819,144
		Total General Obligation Bonds	<u>9,924,409</u>
Contract Revenue Bonds			
1999B GCWA Contract Revenue Refunding Bonds	\$ 4,700,000	3.50% to 5.00%	470,000
2011F GCWA Contract Revenue Refunding Bonds	\$ 2,250,000	2.00% to 4.00%	2,250,000
		Total Contract Revenue Bonds	<u>2,720,000</u>
		Total Business Type Activities Long-Term Debt	<u>\$ 107,479,409</u>

* The repayment of this general obligation debt is expected to be paid from surplus revenues of the water and sewer system. Water and sewer revenues are pledged to pay certificates of obligation on a subordinate basis, but it is the historic policy of the City to pay portions of the listed general obligation refunding bonds from surplus revenues of the water and sewer system.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The annual requirements to amortize general obligation bonds outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 2,130,095	\$ 340,894	\$ 2,470,989	\$ 3,944,905	\$ 318,253	\$ 4,263,158
2013	1,959,934	258,981	2,218,915	2,145,067	194,522	2,339,589
2014	1,818,572	181,915	2,000,487	696,428	138,136	834,564
2015	847,497	129,476	976,973	517,503	114,365	631,868
2016	668,796	101,743	770,539	491,204	95,002	586,206
2017	553,796	75,918	629,714	506,204	75,584	581,788
2018	557,900	55,421	613,321	522,101	55,398	577,499
2019	562,000	33,720	595,720	542,999	33,987	576,986
2020	562,000	11,240	573,240	557,999	11,432	569,431
Total	\$ 9,660,590	\$ 1,189,308	\$ 10,849,898	\$ 9,924,410	\$ 1,036,679	\$ 10,961,089

The annual requirements to amortize revenue bonds outstanding at year end were as follows:

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 1,960,000	\$ 3,998,470	\$ 5,958,470
2013	3,780,000	3,888,606	7,668,606
2014	5,920,000	3,706,549	9,626,549
2015	5,805,000	3,490,524	9,295,524
2016	5,515,000	3,282,543	8,797,543
2017	5,180,000	3,082,283	8,262,283
2018	5,040,000	2,886,712	7,926,712
2019	4,885,000	2,692,495	7,577,495
2020	4,745,000	2,500,333	7,245,333
2021	5,170,000	2,297,724	7,467,724
2022	5,035,000	2,085,140	7,120,140
2023	4,895,000	1,875,653	6,770,653
2024	4,750,000	1,668,128	6,418,128
2025	4,605,000	1,459,453	6,064,453
2026	4,455,000	1,249,052	5,704,052
2027	4,305,000	1,040,764	5,345,764
2028	4,155,000	834,706	4,989,706
2029	2,660,000	665,250	3,325,250
2030	2,735,000	530,375	3,265,375
2031	2,815,000	391,625	3,206,625
2032	2,080,000	269,250	2,349,250
2033	2,140,000	163,750	2,303,750
2034	2,205,000	55,125	2,260,125
Total	\$ 94,835,000	\$ 44,114,510	\$ 138,949,510

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The annual requirements to amortize certificates of obligation outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities		
	Principal	Interest	Total
2012	\$ 4,385,000	\$ 3,491,990	\$ 7,876,990
2013	4,480,000	3,328,062	7,808,062
2014	4,250,000	3,162,343	7,412,343
2015	4,370,000	3,006,659	7,376,659
2016	4,495,000	2,852,874	7,347,874
2017	4,645,000	2,691,110	7,336,110
2018	4,800,000	2,520,305	7,320,305
2019	4,960,000	2,337,603	7,297,603
2020	5,140,000	2,140,658	7,280,658
2021	5,320,000	1,929,253	7,249,253
2022	5,525,000	1,705,714	7,230,714
2023	5,715,000	1,471,669	7,186,669
2024	5,405,000	1,229,443	6,634,443
2025	4,280,000	986,109	5,266,109
2026	3,850,000	805,629	4,655,629
2027	3,630,000	638,226	4,268,226
2028	3,765,000	471,743	4,236,743
2029	3,685,000	301,844	3,986,844
2030	2,595,000	157,981	2,752,981
2031	720,000	82,906	802,906
2032	750,000	50,750	800,750
2033	785,000	17,172	802,172
Total	\$ 87,550,000	\$ 35,380,043	\$ 122,930,043

The annual requirements to amortize contract revenue bonds outstanding at year end were as follows:

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 665,000	\$ 97,478	\$ 762,478
2013	205,000	64,388	269,388
2014	210,000	60,287	270,287
2015	210,000	56,088	266,088
2016	220,000	49,787	269,787
2017	225,000	43,188	268,188
2018	235,000	36,437	271,437
2019	240,000	28,800	268,800
2020	250,000	20,400	270,400
2021	260,000	10,400	270,400
Total	\$ 2,720,000	\$ 467,253	\$ 3,187,253

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water and wastewater) and equipment for general government and enterprise fund activities. These instruments include general obligation bonds, certificates of obligation, and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues, or liens on property and equipment secure these debt obligations.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General Fund	Nonmajor Governmental Funds	\$ 2,122,025
General Fund	Debt Service Fund	644,800
Water and Wastewater Fund	General Fund	2,000,000
Nonmajor Governmental Funds	Water and Wastewater Fund	1,313,999
		<u>\$ 6,080,824</u>

The general fund made transfers to nonmajor governmental funds to provide financing for miscellaneous capital projects. The general fund made transfers to the debt service fund to fund principal and interest payments related to the issuance of new debt. The water and wastewater fund provided monies to the general fund for reimbursement of administrative costs related to the support of the water and wastewater system. Nonmajor governmental funds made transfers to the water and wastewater fund to transfer assets financed from operating grants and contributions.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

F. Restricted Assets

As of September 30, 2011, the City held restricted cash and investments in the water and wastewater fund for the following purposes:

Restricted for:	
Customer deposits	\$ 645,897
Capital projects	45,948,622
Debt service	7,486,360
Total	<u><u>\$ 54,080,879</u></u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City’s management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2011</u>	<u>2010</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2009 valuation is effective for rates beginning January 2011). The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 4,168,388
Interest on Net Pension Obligation (NPO)	68,204
Adjustment to the ARC	<u>(56,431)</u>
Annual Pension Cost (APC)	4,180,161
Contributions made	<u>(3,568,738)</u>
Increase in net pension obligation	611,423
Net pension obligation-beginning of year	909,386
Net pension obligation-end of year	<u><u>\$ 1,520,809</u></u>

Three-year trend information for the annual pension cost (APC) is as follows:

Fiscal year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 3,286,271	\$ 2,937,392	89.38%	\$ 348,879
2010	\$ 3,796,609	\$ 3,236,102	85.24%	\$ 909,386
2011	\$ 4,180,161	\$ 3,568,738	85.37%	\$ 1,520,809

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarial Valuation Date	12/31/2010 - Restructured	12/31/2010 - Prior to Restructuring	12/31/2009	12/31/2008
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	27.2 Years - Closed period	27.1 Years - Closed period	28.1 Years - Closed period	29 Years - Closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	Amortized cost
Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%	2.10%

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

	<u>2011</u>	<u>2011</u>
	<u>Original Fund</u>	<u>New Fund</u>
	<u>Structure</u>	<u>Structure</u>
	12/31/2010	12/31/2010
Actuarial Valuation Date	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 45,215,089	\$ 59,887,993
Actuarial Accrued Liability	\$ 66,721,760	\$ 79,487,232
Percentage Funded	67.8%	75.3%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 21,506,671	\$ 19,599,239
Annual Covered Payroll	\$ 23,788,127	\$ 23,788,127
UAAL as a Percentage of Covered Payroll	90.4%	82.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Other Post Employment Benefits

1. TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2011, the City offered the supplemental death benefit to both active and retired employees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF, for the fiscal years ended 2011, 2010, and 2009 were \$5,173, \$4,685, and \$4,437, respectively. The City's contribution rates for the past three years are shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.02%
Actual Contribution Made	0.02%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

2. Post Employment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit Other Post Employment Benefits (OPEB) plan, known as the Retiree Medical Program (the "Program"). The Program offers medical and dental insurance benefits to eligible retirees and their spouses. Retiree medical coverage levels for retirees are the same as coverage provided to active City employees. Upon the death of the retiree, the spouse is eligible for COBRA.

Employees are eligible for retiree health benefits if they retire at the age of 60 or older with at least five years of service from the City, at least ten years of combined service with other municipalities and are also eligible for a pension from TMRS. Employees with twenty years of service may retire at any age. The City contributes up to 100% of the monthly premium for retirees that are age 60 with twenty years of service with the City. Employees eligible to retire under TMRS as a disability retiree if they have worked with the City for a minimum of five years and have at least ten years of combined service with all municipalities are eligible for a portion of their health insurance based on their age. For employees who become disabled prior to eligibility for retirement, retiree medical benefits are not available. The City requires retirees to enroll in Medicare once eligible. The City does not provide Medicare Supplemental Health Benefits coverage after the date that person becomes eligible for Medicare benefits.

Funding Policy

The City has elected to subsidize premiums for the plan and funding is provided on a pay-as-you-go basis.

Annual OPEB Cost

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and the City's net OPEB obligation.

Annual Req. Contrib. (ARC)	\$	228,382
Interest on OPEB Obligation		13,832
Adjustments to ARC		(12,815)
End of Year Annual OPEB Cost (Expense)		229,399
Net Estimated Employer Contributions		(104,675)
Increase in Net OPEB Obligation		124,724
Net OPEB Obligation (Asset)-beginning of year		307,380
Net OPEB Obligation (Asset)-end of year	\$	432,104

A separate audited GAAP basis post-employment benefit plan report is not available.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

Fiscal year	Annual OPEB Cost (ARC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2009*	\$ 217,294	17.96%	\$ -	\$ 178,262
2010	\$ 224,357	36.29%	\$ 178,262	\$ 307,380
2011	\$ 229,399	45.63%	\$ 307,380	\$ 432,104

* First year of implementation of GASB 45

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,082,379, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,082,379. The annual covered payroll at December 31, 2009 was \$22,877,988 and the UAAL as a percentage of the annual covered payroll was 9.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The following is a summary of the actuarial assumptions:

Inflation Rate	3.00% per annum
Investment Rate of Return	4.5%, net of expenses
Actuarial Cost Method	Projected unit credit
Amortization Method	Level as a percentage of employee payroll
Remaining Amortization Period	30 years – Open period
Asset Valuation Method	Market value
Salary Growth	3.00% per annum
Healthcare Cost Trend Rate (Initial/Ultimate)	9.0%/4.5%

E. Contracts

Summaries of the City’s significant contracts are as follows:

1. Municipal Utility Districts

The City has entered into utility agreements with several Municipal Utility Districts whose boundaries overlap the boundaries of the City. The Districts construct water, sanitary sewer, and drainage facilities to serve the areas within the Districts and issue bonds to finance such facilities. The Districts release their security interests in the facilities to the City, and the City operates and maintains the systems.

2. Galveston County Water Control and Improvement District No. One

The City entered into an agreement dated March 10, 1983, with Galveston County Water Control and Improvement District No. One (the “District”) providing for an inter-connect to be built between the City and the District by the Gulf Coast Water Authority. The City agreed to buy one million gallons of water per day on a take-or-pay basis. Under a revised water supply agreement effective January 1, 1987, the annual volume of water to be paid for by the City on a take-or-pay basis was reduced to a minimum of 150,000 gallons per day, to be adjusted annually to an amount equal to the prior year’s average usage, but not to exceed one million gallons per day. The cost to the City will vary depending on the cost to the District to fulfill its obligation.

3. Gulf Coast Water Authority – Elevated Storage Tank

The City entered into an agreement with the Gulf Coast Water Authority (GCWA) on September 8, 1998 providing for the construction of an elevated storage tank and other water system improvements and issuance of GCWA contract bonds to finance the construction. The City is considered the owner of the assets and, as provided in the agreement, makes periodic payments to GCWA to service the debt.

4. Gulf Coast Water Authority – Water Capacity Contract

The City has entered into a long-term cost sharing contract with the Gulf Coast Water Authority (GCWA) to finance the expansion of the Houston Southeast Water Purification Plant. This twice amended water supply contract provides that GCWA reserve treatment and distribution capacity of 17.5 million gallons per day for the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
Revenues				
Ad valorem taxes	\$ 19,895,700	\$ 19,895,700	\$ 19,929,777	\$ 34,077
Sales taxes	10,442,000	10,692,000	11,167,925	475,925
Franchise fees	4,632,600	4,632,600	4,657,634	25,034
Licenses and permits	2,062,500	2,062,500	1,785,027	(277,473)
Fines and forfeitures	1,735,000	1,835,000	1,871,106	36,106
Charges for services	4,349,700	4,349,700	4,150,633	(199,067)
Other	137,600	164,500	230,427	65,927
Investment earnings	50,000	50,000	47,085	(2,915)
Intergovernmental	1,083,300	1,284,800	1,312,944	28,144
Total Revenues	44,388,400	44,966,800	45,152,558	185,758
Expenditures				
Current:				
General government:				
Economic development	258,730	163,730	124,743	38,987
Budget office	409,740	409,740	381,313	28,427
City secretary	377,110	406,410	393,416	12,994
City manager	672,310	672,310	657,403	14,907
Information technology	1,420,165	1,429,565	1,428,901	664
City attorney	465,000	608,500	607,167	1,333
Accounting	1,173,810	1,217,810	1,196,796	21,014
Mayor and City council	188,150	188,150	144,027	44,123
Civil service	73,600	73,600	45,276	28,324
Municipal court	540,293	572,393	560,049	12,344
Human resources	1,015,860	1,015,860	940,417	75,443
Facilities maintenance	1,758,416	1,703,416	1,695,343	8,073
Purchasing	234,040	234,040	231,125	2,915
Non-departmental	1,960,078	1,608,578	1,179,508	429,070
Total General Government	10,547,302	10,304,102	9,585,484	718,618
Public safety:				
Emergency management	321,815	342,115	341,871	244
Police	14,745,227	14,974,127	14,810,963	163,164
Animal control	528,129	580,829	579,954	875
Fire marshal	482,321	493,021	481,542	11,479
Fire	1,085,315	1,100,315	977,895	122,420
EMS	2,220,025	2,295,225	2,266,803	28,422
Drill field	58,750	58,750	37,230	21,520
Total Public Safety	19,441,582	19,844,382	19,496,258	348,124

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)

GENERAL FUND

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
Public works:				
Building inspection	\$ 1,038,330	\$ 1,048,430	\$ 1,027,643	\$ 20,787
Public works administration	2,946,940	421,340	411,137	10,203
Engineering	1,382,905	1,142,299	1,109,235	33,064
Street and storm water	4,325,985	4,564,585	4,519,132	45,453
Code enforcement	397,630	474,630	372,337	102,293
Traffic and transportation	-	3,174,000	3,148,519	25,481
Planning	1,109,528	1,136,528	1,101,652	34,876
Total Public Works	<u>11,201,318</u>	<u>11,961,812</u>	<u>11,689,655</u>	<u>272,157</u>
Community services:				
Library	2,104,981	2,185,181	2,161,766	23,415
Parks recreation	695,151	697,551	633,541	64,010
Sportsplex operations	364,654	369,154	341,448	27,706
Sportsplex administration	172,930	173,480	146,503	26,977
Parks planning	318,882	254,782	242,216	12,566
Parks operation	1,052,542	1,129,842	1,028,333	101,509
Total Community Services	<u>4,709,140</u>	<u>4,809,990</u>	<u>4,553,807</u>	<u>256,183</u>
Total Expenditures	<u>45,899,342</u>	<u>46,920,286</u>	<u>45,325,204</u>	<u>1,595,082</u>
Revenues Over (Under) Expenditures	<u>(1,510,942)</u>	<u>(1,953,486)</u>	<u>(172,646)</u>	<u>1,780,840</u>
Other Financing Sources (Uses)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers (out)	(644,800)	(2,766,825)	(2,766,825)	-
Total Other Financing Sources	<u>1,355,200</u>	<u>(766,825)</u>	<u>(766,825)</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ (155,742)</u>	<u>\$ (2,720,311)</u>	<u>(939,471)</u>	<u>\$ 1,780,840</u>
Beginning Fund Balance			<u>21,665,348</u>	
Ending Fund Balance			<u>\$ 20,725,877</u>	

Notes to Required Supplementary Information (RSI):

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>	<u>2011 (2)</u>
Actuarial Valuation Date	12/31/2008	12/31/2009	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 36,909,728	\$ 41,885,807	\$ 45,215,089	\$ 59,887,993
Actuarial Accrued Liability	\$ 56,927,669	\$ 62,670,192	\$ 66,721,760	\$ 79,487,232
Percentage Funded	64.8%	66.8%	67.8%	75.3%
Unfunded Actuarial				
Accrued Liability	\$ 20,017,941	\$ 20,784,385	\$ 21,506,671	\$ 19,599,239
Annual Covered Payroll	\$ 21,029,242	\$ 22,446,677	\$ 23,788,127	\$ 23,788,127
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	95.2%	92.6%	90.4%	82.4%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ 348,879	\$ 909,386	\$ 909,386
Annual Pension Cost (APC)	3,286,271	3,796,609	4,180,161	4,180,161
Contributions Made	2,937,392	3,236,102	3,568,738	3,568,738
NPO at the End of Period	<u>\$ 348,879</u>	<u>\$ 909,386</u>	<u>\$ 1,520,809</u>	<u>\$ 1,520,809</u>

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure as a result of Senate Bill 350 enacted in June 2011.

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CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS¹

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/07	\$ -	\$ 1,975,890	\$ 1,975,890	0%	\$18,330,457	11%
12/31/09	\$ -	\$ 2,082,379	\$ 2,082,379	0%	\$22,877,988	9.1%

¹ 2009 is the first year the City is required to implement GASB Statement No. 45 and the requirements have been implemented prospectively, therefore, the above illustration does not reflect similar information for the two preceding years.

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***COMBINING STATEMENTS
AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The **Police Activity Fund** is used to account for funds donated for the DARE program, community outreach program and criminal investigation purposes. Various purchases including supplies, equipment, and other services are made from these funds. The League City Police Department administers the funds of these programs.

The **Municipal Court Building Security Fund** is used to account for fees collected for future improvements to the security of the court facilities.

The **Municipal Court Technology Fund** is used to account for fees collected for future improvements to the technology of the court facilities.

The **Library Gift Fund** is used to account for donated funds to be used specifically for the purchase of special items not covered by the library's general operating budget.

The **Hotel Occupancy Tax Fund** is used to account for the hotel occupancy tax revenues. Tax revenues are used to promote tourism and the convention and hotel industry as defined in subchapter B of chapter 351 of the tax code. Destination League City Convention and Visitors Corporation has been dissolved, and the City has taken over management of the fund.

The **Escrow Fund - Park Facilities Maintenance** is used to account for fees of \$1,000 per living unit paid by developers in lieu of dedication of park or recreation areas. Funds collected within this fund are to be used specifically for park facilities and maintenance at the discretion of the City Council.

The **City Sidewalk Fund** is used to account for fees paid by developers in lieu of building or installing sidewalks. Funds collected within this fund are to be used specifically for sidewalk improvements at the discretion of the City Council.

The **Emergency Management Response Fund** is used to account for funds designated to improve the City's emergency preparedness and response.

The **Butler Longhorn Museum Donation Fund** is used to account for funds donated specifically for the support of the Butler Longhorn Museum/Heritage Park. Funds would typically be used for park improvements.

The **Animal Control Donation Fund** is used to account for funds donated specifically for the support of the animal control shelter. Donated funds would typically be used for veterinary services, food for animals, and educational materials.

The **CDBG Fund** is used to account for the distribution of funds received from the Community Development Block Grant. These funds are to be used to improve living conditions for low to moderate income residents.

NONMAJOR GOVERNMENTAL FUNDS, Continued

The **Energy Efficiency Grant Fund** is used to account for grant funds received from the federal government for the purchase of energy efficient vehicles.

The **Safelight Program Fund** is used to account for the fees received from red light ticket cameras. These funds are to be used for public safety related items designated by the City Council.

The **Public Access Channel Fund** is used to account for fees received from cable television franchise fees received by the City. These funds are used for improvements and equipment related to the City's public access channel. It is a legal requirement that these funds be spent to improve the City's public access channel.

The **Right of Way Fund** is used to account for funds received from or reserved for purchase of public right of way.

The **Tax Increment Financing Zone No. One Fund** is used to account for funds remaining after dissolution of the district on August 14, 2010. Funds will be used to complete certain infrastructure improvements within the reinvestment zone, as provided in the original project plan.

The **Tax Increment Financing Zone No. Two Fund** is used to account for funds received as a result of the creation of this zone for the purpose of developing a master planned community and business park within the boundaries of the City.

The **Tax Increment Financing Zone No. Three Fund** is used to account for funds received as a result of the creation of this zone for the purpose of developing a master planned community and business park within the boundaries of the City.

The **Tax Increment Financing Zone No. Four Fund** is used to account for funds received as a result of the creation of this zone for the purpose of developing a master planned community and business park within the boundaries of the City.

The **Public Improvement District No. One Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Public Improvement District No. Two Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Public Improvement District No. Three Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Public Improvement District No. Five Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Severe Repetitive Loss (SRL) Grant Fund** is used to account for funds received from the federal government to provide funding to reduce or eliminate the long-term risk of flood damage to SRL structures insured under the National Flood Insurance Program.

NONMAJOR GOVERNMENTAL FUNDS, Continued

The **South Shore Harbour (SSH) MUD #3 Fund** is used to account for funds received as a result of the dissolution of SSH Municipal Utility District #3. Funds will be utilized in whole or in part for capital or permanent improvements inside the boundaries of the District.

The **TDRA Disaster Recovery Grant Fund** is used to account for funds received from the federal government to address the impact of Hurricane Ike on the community. Funds will be used to purchase emergency generators for lift stations and other City facilities.

The **4B Industrial Development Maintenance Fund** is used to account for the City's contract with the 4B Corporation regarding the use of 4B sales tax monies paid to the City and to account for revenues and expenses associated with the operations and debt service for improvements in the Eastern Regional Park.

Capital Projects Funds

Capital projects funds account for financial resources used for the acquisition and/or construction of major capital improvements other than those financed by proprietary funds.

The **Miscellaneous Capital Projects Fund** is used to account for miscellaneous capital projects designated by City Council.

The **Special Assessments Fund** is used to account for the receipt of special assessments and the expenditures of such funds to improve Oak Street, Fenwood Street, Tallow Forest Street, Arkansas Street, Alaska Street, and Second Street.

The **2003A Certificates of Obligation Fund** is used to account for the construction and improvements relating to Fire Station Number Five, Fire Station Number One renovation, EMS East Side Station, EMS West Side Station, Butler Longhorn Museum, Webster St. drainage, and the City-wide radio replacement program.

The **2006 Certificates of Obligation Fund** is used to account for the acquisition, construction, and extension of street improvements, firefighting equipment, and related projects.

The **2008 Certificates of Obligation Fund** is used to account for the acquisition, construction, and extension of street improvements, firefighting equipment, and related projects.

The **2009 Certificates of Obligation Fund** is used to account for the acquisition, construction, and extension of street improvements, firefighting equipment, and related projects.

The **2011 Certificates of Obligation Fund** is used to account for the design, construction and equipping for a new police station and jail; renovation, improvement and equipping of City Hall; acquisition, construction, and equipping of park facilities; construction and improvement of streets and drainage; and acquisition of firefighting equipment and facilities.

The **2011 Certificates of Obligation - 4B Fund** is used to account for the acquisition, construction, and equipping of park facilities, including specifically the Eastern Regional Park.

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)

September 30, 2011

Special Revenue Funds

	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
<u>Assets</u>				
Cash and cash equivalents	\$ 117,272	\$ 152,913	\$ 35,493	\$ 39,449
Due from component unit	-	-	-	-
Receivables, net	20,722	-	-	-
Total Assets	\$ 137,994	\$ 152,913	\$ 35,493	\$ 39,449
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 21,457	\$ 1,385	\$ 367	\$ -
Deferred revenue	-	-	-	-
Total Liabilities	21,457	1,385	367	-
<u>Fund Balances</u>				
Restricted for:				
Enabling legislation	-	151,528	35,126	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Grants	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Assigned to:				
Special revenue funds	116,537	-	-	39,449
Capital project funds	-	-	-	-
Total Fund Balances	116,537	151,528	35,126	39,449
Total Liabilities and Fund Balances	\$ 137,994	\$ 152,913	\$ 35,493	\$ 39,449

Special Revenue Funds

Hotel Occupancy Tax	Escrow-Park Facilities Maintenance	City Sidewalk	Emergency Management Response	Butler Museum	Animal Control Fund
\$ 393,387	\$ 2,311,631	\$ 132,861	\$ 335,506	\$ 3,383	\$ 68,592
-	-	-	-	-	-
82,121	-	-	-	-	-
<u>\$ 475,508</u>	<u>\$ 2,311,631</u>	<u>\$ 132,861</u>	<u>\$ 335,506</u>	<u>\$ 3,383</u>	<u>\$ 68,592</u>
\$ 19,800	\$ -	\$ -	\$ -	\$ -	\$ 2,241
-	-	-	-	-	-
19,800	-	-	-	-	2,241
455,708	-	-	-	-	-
-	-	-	335,506	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,311,631	132,861	-	3,383	66,351
-	-	-	-	-	-
<u>455,708</u>	<u>2,311,631</u>	<u>132,861</u>	<u>335,506</u>	<u>3,383</u>	<u>66,351</u>
<u>\$ 475,508</u>	<u>\$ 2,311,631</u>	<u>\$ 132,861</u>	<u>\$ 335,506</u>	<u>\$ 3,383</u>	<u>\$ 68,592</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)

September 30, 2011

	Special Revenue Funds			
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 817,574	\$ 423,704
Due from component unit	-	-	-	-
Receivables, net	14,217	-	47,160	46,413
Total Assets	\$ 14,217	\$ -	\$ 864,734	\$ 470,117
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 14,217	\$ -	\$ 432,686	\$ 44,646
Deferred revenue	-	-	-	-
Total Liabilities	14,217	-	432,686	44,646
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	425,471
Grants	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Assigned to:				
Special revenue funds	-	-	432,048	-
Capital project funds	-	-	-	-
Total Fund Balances	-	-	432,048	425,471
Total Liabilities and Fund Balances	\$ 14,217	\$ -	\$ 864,734	\$ 470,117

Special Revenue Funds

Right of Way	Tax Increment Financing Zone No. One	Tax Increment Financing Zone No. Two	Tax Increment Financing Zone No. Three	Tax Increment Financing Zone No. Four	Public Improvement District No. One
\$ 246,684	\$ 2,439,283	\$ 4,266,802	\$ 17,959	\$ 208,818	\$ 63,080
-	-	-	-	-	-
-	32,377	22,097	5,011	-	-
<u>\$ 246,684</u>	<u>\$ 2,471,660</u>	<u>\$ 4,288,899</u>	<u>\$ 22,970</u>	<u>\$ 208,818</u>	<u>\$ 63,080</u>
\$ -	\$ 32,377	\$ -	\$ 22,080	\$ -	\$ 63,078
-	-	-	-	-	-
-	32,377	-	22,080	-	63,078
-	-	-	-	-	-
-	-	-	-	-	-
-	2,439,283	4,288,899	890	208,818	-
-	-	-	-	-	2
246,684	-	-	-	-	-
-	-	-	-	-	-
<u>246,684</u>	<u>2,439,283</u>	<u>4,288,899</u>	<u>890</u>	<u>208,818</u>	<u>2</u>
<u>\$ 246,684</u>	<u>\$ 2,471,660</u>	<u>\$ 4,288,899</u>	<u>\$ 22,970</u>	<u>\$ 208,818</u>	<u>\$ 63,080</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)

September 30, 2011

	Special Revenue Funds			
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Severe Repetitive Loss (SRL) Grant Fund
Assets				
Cash and cash equivalents	\$ 56,120	\$ 40,115	\$ 26,328	\$ 173,489
Due from component unit	-	-	-	-
Receivables, net	-	-	-	-
Total Assets	\$ 56,120	\$ 40,115	\$ 26,328	\$ 173,489
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 51,260	\$ 39,788	\$ 26,327	\$ -
Deferred revenue	-	-	-	-
Total Liabilities	51,260	39,788	26,327	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Grants	-	-	-	173,489
Tax increment reinvestment zone	-	-	-	-
Public improvement district	4,860	327	1	-
Assigned to:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Total Fund Balances	4,860	327	1	173,489
Total Liabilities and Fund Balances	\$ 56,120	\$ 40,115	\$ 26,328	\$ 173,489

Special Revenue Funds			Capital Project Funds		
South Shore Harbour (SSH) Mud #3 Fund	TDR Disaster Recovery Grant Fund	4B Industrial Development Maintenance	Miscellaneous Capital Projects	Special Assessments	Certificates of Obligation 2003A
\$ 145,613	\$ -	\$ 266,027	\$ 1,977,928	\$ -	\$ 692,187
-	-	80,100	-	-	-
2,350	-	-	354,360	16,395	-
<u>\$ 147,963</u>	<u>\$ -</u>	<u>\$ 346,127</u>	<u>\$ 2,332,288</u>	<u>\$ 16,395</u>	<u>\$ 692,187</u>
\$ -	\$ -	\$ -	\$ 509,664	\$ -	\$ -
2,350	-	-	-	16,395	-
<u>2,350</u>	<u>-</u>	<u>-</u>	<u>509,664</u>	<u>16,395</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
145,613	-	346,127	-	-	-
-	-	-	1,822,624	-	692,187
<u>145,613</u>	<u>-</u>	<u>346,127</u>	<u>1,822,624</u>	<u>-</u>	<u>692,187</u>
<u>\$ 147,963</u>	<u>\$ -</u>	<u>\$ 346,127</u>	<u>\$ 2,332,288</u>	<u>\$ 16,395</u>	<u>\$ 692,187</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)

September 30, 2011

Capital Project Funds				
	Certificates of Obligation 2006	Certificates of Obligation 2008	Certificates of Obligation 2009	Certificates of Obligation 2011
Assets				
Cash and cash equivalents	\$ 930,188	\$ 9,278,453	\$ 11,202,229	\$ 9,062,341
Due from component unit	-	-	-	-
Receivables, net	-	-	-	-
Total Assets	\$ 930,188	\$ 9,278,453	\$ 11,202,229	\$ 9,062,341
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 1,008,789	\$ 231,877	\$ 78,481
Deferred revenue	-	-	-	-
Total Liabilities	-	1,008,789	231,877	78,481
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Grants	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Assigned to:				
Special revenue funds	-	-	-	-
Capital project funds	930,188	8,269,664	10,970,352	8,983,860
Total Fund Balances	930,188	8,269,664	10,970,352	8,983,860
Total Liabilities and Fund Balances	\$ 930,188	\$ 9,278,453	\$ 11,202,229	\$ 9,062,341

<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Certificates of Obligation 2011 - 4B</u>		
\$ 8,901,065	\$	54,826,474
-		80,100
-		643,223
<u>\$ 8,901,065</u>	<u>\$</u>	<u>55,549,797</u>
\$ 1,412,604	\$	4,013,124
-		18,745
<u>1,412,604</u>		<u>4,031,869</u>
-		642,362
-		335,506
-		425,471
-		173,489
-		6,937,890
-		5,190
-		3,840,684
7,488,461		39,157,336
<u>7,488,461</u>		<u>51,517,928</u>
<u>\$ 8,901,065</u>	<u>\$</u>	<u>55,549,797</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)
For the Year Ended September 30, 2011

	Special Revenue Funds			
	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	67,303	39,162	50,739	-
Charges for services	-	-	-	-
Investment earnings	218	275	71	48
Intergovernmental	-	-	-	-
Contributions	-	-	-	-
Other revenue	48,391	-	2,750	9,172
Total Revenues	115,912	39,437	53,560	9,220
Expenditures				
General government	-	-	-	-
Public safety	107,497	122,965	58,724	-
Public works	-	-	-	-
Community services	-	-	-	3,084
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	107,497	122,965	58,724	3,084
Revenues Over (Under)				
Expenditures	8,415	(83,528)	(5,164)	6,136
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	8,415	(83,528)	(5,164)	6,136
Beginning Fund Balances	108,122	235,056	40,290	33,313
Ending Fund Balances	\$ 116,537	\$ 151,528	\$ 35,126	\$ 39,449

Special Revenue Funds

Hotel Occupancy Tax	Escrow-Park Facilities Maintenance	City Sidewalk	Emergency Management Response	Butler Museum	Animal Control Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
269,339	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
508	2,812	171	435	6	88
-	-	-	-	-	-
451,762	-	-	-	-	-
-	190,127	-	-	-	5,713
<u>721,609</u>	<u>192,939</u>	<u>171</u>	<u>435</u>	<u>6</u>	<u>5,801</u>
-	-	-	-	-	-
-	-	-	67,179	-	5,067
-	-	-	-	-	-
280,141	23,325	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>280,141</u>	<u>23,325</u>	<u>-</u>	<u>67,179</u>	<u>-</u>	<u>5,067</u>
-	-	-	-	-	-
441,468	169,614	171	(66,744)	6	734
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
441,468	169,614	171	(66,744)	6	734
14,240	2,142,017	132,690	402,250	3,377	65,617
<u>\$ 455,708</u>	<u>\$ 2,311,631</u>	<u>\$ 132,861</u>	<u>\$ 335,506</u>	<u>\$ 3,383</u>	<u>\$ 66,351</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)
For the Year Ended September 30, 2011

	Special Revenue Funds			
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	1,465,242	-
Charges for services	-	-	-	191,740
Investment earnings	-	-	725	486
Intergovernmental	361,800	168,717	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>361,800</u>	<u>168,717</u>	<u>1,465,967</u>	<u>192,226</u>
Expenditures				
General government	-	63,165	-	-
Public safety	-	-	1,319,489	-
Public works	-	-	-	-
Community services	121,320	-	-	113,862
Capital outlay	-	105,589	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>121,320</u>	<u>168,754</u>	<u>1,319,489</u>	<u>113,862</u>
Revenues Over (Under) Expenditures	<u>240,480</u>	<u>(37)</u>	<u>146,478</u>	<u>78,364</u>
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(240,480)	-	-	-
Total Other Financing Sources (Uses)	<u>(240,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>(37)</u>	<u>146,478</u>	<u>78,364</u>
Beginning Fund Balances	-	37	285,570	347,107
Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,048</u>	<u>\$ 425,471</u>

Special Revenue Funds

Right of Way	Tax Increment Financing Zone No. One	Tax Increment Financing Zone No. Two	Tax Increment Financing Zone No. Three	Tax Increment Financing Zone No. Four	Public Improvement District No. One
\$ -	\$ -	\$ 4,420,380	\$ 877,831	\$ 29,670	\$ -
-	-	-	-	-	-
-	-	-	-	-	1,227,798
-	-	-	-	-	-
-	-	-	-	-	-
-	3,135	3,830	2	243	371
-	-	-	-	-	-
-	-	-	-	-	-
71,171	-	-	-	-	-
<u>71,171</u>	<u>3,135</u>	<u>4,424,210</u>	<u>877,833</u>	<u>29,913</u>	<u>1,228,169</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	1,894	437,127	877,831	-	1,228,167
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,185,000	-	-	-
-	-	530,259	-	-	-
-	<u>1,894</u>	<u>2,152,386</u>	<u>877,831</u>	<u>-</u>	<u>1,228,167</u>
-	-	-	-	-	-
<u>71,171</u>	<u>1,241</u>	<u>2,271,824</u>	<u>2</u>	<u>29,913</u>	<u>2</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
71,171	1,241	2,271,824	2	29,913	2
<u>175,513</u>	<u>2,438,042</u>	<u>2,017,075</u>	<u>888</u>	<u>178,905</u>	<u>-</u>
<u>\$ 246,684</u>	<u>\$ 2,439,283</u>	<u>\$ 4,288,899</u>	<u>\$ 890</u>	<u>\$ 208,818</u>	<u>\$ 2</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)
For the Year Ended September 30, 2011

	Special Revenue Funds			
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Severe Repetitive Loss (SRL) Grant Fund
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	693,478	499,982	452,989	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	189	98	112	-
Intergovernmental	-	-	-	257,226
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>693,667</u>	<u>500,080</u>	<u>453,101</u>	<u>257,226</u>
Expenditures				
General government	-	-	-	83,737
Public safety	-	-	-	-
Public works	693,815	499,755	453,103	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>693,815</u>	<u>499,755</u>	<u>453,103</u>	<u>83,737</u>
Revenues Over (Under) Expenditures	<u>(148)</u>	<u>325</u>	<u>(2)</u>	<u>173,489</u>
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(148)</u>	<u>325</u>	<u>(2)</u>	<u>173,489</u>
Beginning Fund Balances	<u>5,008</u>	<u>2</u>	<u>3</u>	<u>-</u>
Ending Fund Balances	<u>\$ 4,860</u>	<u>\$ 327</u>	<u>\$ 1</u>	<u>\$ 173,489</u>

Special Revenue Funds			Capital Project Funds		
South Shore Harbour (SSH) Mud #3 Fund	TDRA Disaster Recovery Grant Fund	4B Industrial Development Maintenance	Miscellaneous Capital Projects	Special Assessments	Certificates of Obligation 2003A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
405	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
120	-	90	2,238	-	1,045
172,556	1,073,519	-	354,360	-	-
-	-	780,779	-	-	-
-	-	-	-	-	-
<u>173,081</u>	<u>1,073,519</u>	<u>780,869</u>	<u>356,598</u>	<u>-</u>	<u>1,045</u>
27,468	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	33,360	-	-
-	-	-	2,269,809	-	169,715
-	-	245,000	-	-	-
-	-	189,742	-	-	-
<u>27,468</u>	<u>-</u>	<u>434,742</u>	<u>2,303,169</u>	<u>-</u>	<u>169,715</u>
<u>145,613</u>	<u>1,073,519</u>	<u>346,127</u>	<u>(1,946,571)</u>	<u>-</u>	<u>(168,670)</u>
-	-	-	-	-	-
-	-	-	2,122,025	-	-
-	(1,073,519)	-	-	-	-
-	(1,073,519)	-	2,122,025	-	-
145,613	-	346,127	175,454	-	(168,670)
-	-	-	1,647,170	-	860,857
<u>\$ 145,613</u>	<u>\$ -</u>	<u>\$ 346,127</u>	<u>\$ 1,822,624</u>	<u>\$ -</u>	<u>\$ 692,187</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)
For the Year Ended September 30, 2011

	Capital Project Funds			
	Certificates of Obligation 2006	Certificates of Obligation 2008	Certificates of Obligation 2009	Certificates of Obligation 2011
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	1,213	14,976	14,736	7,177
Intergovernmental	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>1,213</u>	<u>14,976</u>	<u>14,736</u>	<u>7,177</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	4,397,585	576,910	2,417,043
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	66,274
Total Expenditures	<u>-</u>	<u>4,397,585</u>	<u>576,910</u>	<u>2,483,317</u>
Revenues Over (Under) Expenditures	<u>1,213</u>	<u>(4,382,609)</u>	<u>(562,174)</u>	<u>(2,476,140)</u>
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	-	11,460,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,460,000</u>
Net Change in Fund Balance	<u>1,213</u>	<u>(4,382,609)</u>	<u>(562,174)</u>	<u>8,983,860</u>
Beginning Fund Balances	<u>928,975</u>	<u>12,652,273</u>	<u>11,532,526</u>	<u>-</u>
Ending Fund Balances	<u>\$ 930,188</u>	<u>\$ 8,269,664</u>	<u>\$ 10,970,352</u>	<u>\$ 8,983,860</u>

<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Certificates of Obligation 2011 - 4B</u>	
\$ -	\$ 5,327,881
-	269,744
-	2,874,247
-	1,622,446
-	191,740
19,721	75,139
-	2,388,178
-	1,232,541
-	327,324
19,721	14,309,240
-	174,370
-	1,680,921
-	4,191,692
-	575,092
1,412,605	11,349,256
-	1,430,000
48,655	834,930
1,461,260	20,236,261
(1,441,539)	(5,927,021)
8,930,000	20,390,000
-	2,122,025
-	(1,313,999)
8,930,000	21,198,026
7,488,461	15,271,005
-	36,246,923
\$ 7,488,461	\$ 51,517,928

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CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 11,141,400	\$ 11,141,400	\$ 11,019,196	\$ (122,204)
Other revenue	-	-	14,429	14,429
Investment earnings	43,500	43,500	23,525	(19,975)
Total Revenues	11,184,900	11,184,900	11,057,150	(127,750)
Expenditures				
General government	3,289,555	3,289,555	3,034,171	255,384
Principal	4,626,160	4,626,160	5,048,159	(421,999)
Interest and fiscal charges	3,203,040	3,203,040	3,014,561	188,479
Total Expenditures	11,118,755	11,118,755	11,096,891	21,864
Revenues Over (Under) Expenditures	66,145	66,145	(39,741)	(105,886)
Other Financing Sources				
Transfers in	644,800	644,800	644,800	-
Total Other Financing Sources	644,800	644,800	644,800	-
Net Change in Fund Balance	\$ 710,945	\$ 710,945	605,059	\$ (105,886)
Beginning Fund Balance			2,128,323	
Ending Fund Balance			\$ 2,733,382	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - POLICE ACTIVITY
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 33,400	\$ 33,400	\$ 67,303	\$ 33,903
Investment earnings	140	140	218	78
Other revenue	12,000	12,000	48,391	36,391
Total Revenues	<u>45,540</u>	<u>45,540</u>	<u>115,912</u>	<u>70,372</u>
Expenditures				
Public safety	<u>159,000</u>	<u>159,000</u>	<u>107,497</u>	<u>51,503</u>
Net Change in Fund Balance	<u>\$ (113,460)</u>	<u>\$ (113,460)</u>	8,415	<u>\$ 121,875</u>
Beginning Fund Balance			<u>108,122</u>	
Ending Fund Balance			<u>\$ 116,537</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - MUNICIPAL COURT BUILDING SECURITY
For the Year Ended September 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Fines and forfeitures	\$ 40,000	\$ 40,000	\$ 39,162	\$ (838)
Investment earnings	400	400	275	(125)
Total Revenues	<u>40,400</u>	<u>40,400</u>	<u>39,437</u>	<u>(963)</u>
<u>Expenditures</u>				
Public safety	<u>260,910</u>	<u>260,910</u>	<u>122,965</u>	<u>137,945</u>
Net Change in Fund Balance	<u>\$ (220,510)</u>	<u>\$ (220,510)</u>	(83,528)	<u>\$ 136,982</u>
Beginning Fund Balance			<u>235,056</u>	
Ending Fund Balance			<u>\$ 151,528</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - MUNICIPAL COURT TECHNOLOGY
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 45,000	\$ 45,000	\$ 50,739	\$ 5,739
Investment earnings	40	40	71	31
Other revenue	-	-	2,750	2,750
Total Revenues	<u>45,040</u>	<u>45,040</u>	<u>53,560</u>	<u>8,520</u>
Expenditures				
Public safety	<u>70,000</u>	<u>70,000</u>	<u>58,724</u>	<u>11,276</u>
Net Change in Fund Balance	<u>\$ (24,960)</u>	<u>\$ (24,960)</u>	<u>(5,164)</u>	<u>\$ 19,796</u>
Beginning Fund Balance			<u>40,290</u>	
Ending Fund Balance			<u>\$ 35,126</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - LIBRARY GIFT

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 50	\$ 50	\$ 48	\$ (2)
Other	3,000	3,000	9,172	6,172
Total Revenues	3,050	3,050	9,220	6,170
<u>Expenditures</u>				
Community services	33,000	31,500	3,084	28,416
Net Change in Fund Balance	\$ (29,950)	\$ (28,450)	6,136	\$ 34,586
Beginning Fund Balance			33,313	
Ending Fund Balance			\$ 39,449	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HOTEL OCCUPANCY TAX

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other taxes	\$ 305,000	\$ 305,000	\$ 269,339	\$ (35,661)
Contributions	-	-	451,762	451,762
Investment earnings	80	80	508	428
Total Revenues	<u>305,080</u>	<u>305,080</u>	<u>721,609</u>	<u>416,529</u>
<u>Expenditures</u>				
Community services	323,000	323,000	280,141	42,859
Net Change in Fund Balance	<u>\$ (17,920)</u>	<u>\$ (17,920)</u>	441,468	<u>\$ 459,388</u>
Beginning Fund Balance			14,240	
Ending Fund Balance			<u>\$ 455,708</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - ESCROW PARK FACILITIES MAINTENANCE
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ 209,428	\$ 2,812	\$ (206,616)
Other revenue	-	23,128	190,127	166,999
Total Revenues	-	232,556	192,939	(39,617)
Expenditures				
Community services	-	232,556	23,325	209,231
Net Change in Fund Balance	\$ -	\$ -	169,614	\$ 169,614
Beginning Fund Balance			2,142,017	
Ending Fund Balance			\$ 2,311,631	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - CITY SIDEWALK

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 1,450	\$ 1,450	\$ 171	\$ (1,279)
Other revenue	5,000	5,000	-	(5,000)
Total Revenues	<u>6,450</u>	<u>6,450</u>	<u>171</u>	<u>(6,279)</u>
Expenditures				
Community services	<u>127,000</u>	<u>127,000</u>	-	<u>127,000</u>
Net Change in Fund Balance	<u>\$ (120,550)</u>	<u>\$ (120,550)</u>	171	<u>\$ 120,721</u>
Beginning Fund Balance			<u>132,690</u>	
Ending Fund Balance			<u>\$ 132,861</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - EMERGENCY MANAGEMENT RESPONSE
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 247,500	\$ 247,500	\$ -	\$ (247,500)
Investment earnings	600	600	435	(165)
Total Revenues	<u>248,100</u>	<u>248,100</u>	<u>435</u>	<u>(247,665)</u>
<u>Expenditures</u>				
Public safety	<u>646,000</u>	<u>646,000</u>	<u>67,179</u>	<u>578,821</u>
Net Change in Fund Balance	<u>\$ (397,900)</u>	<u>\$ (397,900)</u>	<u>(66,744)</u>	<u>\$ 331,156</u>
Beginning Fund Balance			<u>402,250</u>	
Ending Fund Balance			<u>\$ 335,506</u>	

CITY OF LEAGUE CITY, TEXAS
*SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS - ANIMAL CONTROL FUND*

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 50	\$ 50	\$ 88	\$ 38
Other revenue	15,000	15,000	5,713	(9,287)
Total Revenues	15,050	15,050	5,801	(9,249)
<u>Expenditures</u>				
Public safety	71,000	71,000	5,067	65,933
Net Change in Fund Balance	\$ (55,950)	\$ (55,950)	734	\$ 56,684
Beginning Fund Balance			65,617	
Ending Fund Balance			\$ 66,351	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - CDBG
For the Year Ended September 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Intergovernmental	\$ 322,741	\$ 737,232	\$ 361,800	\$ (375,432)
Total Revenues	<u>322,741</u>	<u>737,232</u>	<u>361,800</u>	<u>(375,432)</u>
<u>Expenditures</u>				
Community services	<u>720,436</u>	<u>737,232</u>	<u>121,320</u>	<u>615,912</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(240,480)</u>	<u>(240,480)</u>
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(240,480)</u>	<u>(240,480)</u>
Net Change in Fund Balance	<u>\$ (397,695)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ -</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - SAFELIGHT PROGRAM
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 1,259,575	\$ 1,259,575	\$ 1,465,242	\$ 205,667
Investment earnings	-	-	725	725
Total Revenues	<u>1,259,575</u>	<u>1,259,575</u>	<u>1,465,967</u>	<u>206,392</u>
<u>Expenditures</u>				
Public safety	<u>1,259,575</u>	<u>1,545,145</u>	<u>1,319,489</u>	<u>225,656</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (285,570)</u>	146,478	<u>\$ 432,048</u>
Beginning Fund Balance			<u>285,570</u>	
Ending Fund Balance			<u>\$ 432,048</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - PUBLIC ACCESS CHANNEL
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Charges for services	\$ 195,000	\$ 195,000	\$ 191,740	\$ (3,260)
Investment earnings	300	300	486	186
Total Revenues	<u>195,300</u>	<u>195,300</u>	<u>192,226</u>	<u>(3,074)</u>
<u>Expenditures</u>				
Community services	401,000	401,000	113,862	287,138
Revenues Over Expenditures	<u>(205,700)</u>	<u>(205,700)</u>	<u>78,364</u>	<u>284,064</u>
Net Change in Fund Balance	<u>\$ (205,700)</u>	<u>\$ (205,700)</u>	78,364	<u>\$ 284,064</u>
Beginning Fund Balance			<u>347,107</u>	
Ending Fund Balance			<u>\$ 425,471</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - SEVERE REPETITIVE LOSS (SRL) GRANT FUND
For the Year Ended September 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Intergovernmental	\$ -	\$ -	\$ 257,226	\$ 257,226
Total Revenues	<u>-</u>	<u>-</u>	<u>257,226</u>	<u>257,226</u>
<u>Expenditures</u>				
General government	-	1,011,778	83,737	928,041
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (1,011,778)</u>	173,489	<u>\$ 1,185,267</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ 173,489</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - 4B INDUSTRIAL DEVELOPMENT
For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 90	\$ 90
Contributions	-	-	780,779	780,779
Total Revenues	<u>-</u>	<u>-</u>	<u>780,869</u>	<u>780,869</u>
Expenditures				
Debt Service:				
Principal	-	245,000	245,000	-
Interest	-	190,000	189,742	258
Total Expenditures	<u>-</u>	<u>435,000</u>	<u>434,742</u>	<u>258</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (435,000)</u>	346,127	<u>\$ 781,127</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ 346,127</u>	

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	132
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	142
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	150
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	158
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	162
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

CITY OF LEAGUE CITY, TEXAS

NET ASSETS BY COMPONENT

Last Nine Years ⁽¹⁾
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 106,642,770	\$ 98,248,654	\$ 90,101,167	\$ 102,970,171
Restricted	2,924,944	2,433,271	2,377,634	3,207,987
Unrestricted	9,861,075	9,770,120	11,411,953	13,759,017
Total Governmental Activities Net Assets	\$ 119,428,789	\$ 110,452,045	\$ 103,890,754	\$ 119,937,175
Business-type activities				
Invested in capital assets, net of related debt	\$ 26,766,375	\$ 28,772,357	\$ 41,368,232	\$ 62,130,257
Restricted	7,743,316	8,705,633	1,220,920	367,685
Unrestricted	11,096,074	10,334,014	12,533,421	12,156,662
Total Business-Type Activities Net Assets	\$ 45,605,765	\$ 47,812,004	\$ 55,122,573	\$ 74,654,604
Primary government				
Invested in capital assets, net of related debt	\$ 133,409,145	\$ 127,021,011	\$ 131,469,399	\$ 165,100,428
Restricted	10,668,260	11,138,904	3,598,554	3,575,672
Unrestricted	20,957,149	20,104,134	23,945,374	25,915,679
Total Primary Government Net Assets	\$ 165,034,554	\$ 158,264,049	\$ 159,013,327	\$ 194,591,779

(1) The requirement for statistical data is ten years; only nine years are available at this time.

(2) Beginning net assets for governmental activities for 2007 were restated as a result of a change in presentation of the City's component units from discrete to blended.

(3) Beginning net assets for governmental activities for 2008 were restated as a result of a change in presentation of the Destination League City component unit from blended to discrete.

(4) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

<u>2007</u> ⁽²⁾	<u>2008</u> ⁽³⁾	<u>2009</u> ⁽⁴⁾	<u>2010</u>	<u>2011</u>
\$ 120,115,018	\$ 139,477,734	\$ 143,105,466	\$ 138,986,054	\$ 146,115,632
12,563,358	10,044,998	9,818,516	10,682,272	11,179,254
14,116,519	19,688,847	21,894,650	20,751,435	21,639,912
<u>\$ 146,794,895</u>	<u>\$ 169,211,579</u>	<u>\$ 174,818,632</u>	<u>\$ 170,419,761</u>	<u>\$ 178,934,798</u>
\$ 64,010,135	\$ 107,478,172	\$ 114,059,051	\$ 114,732,724	\$ 107,392,808
651,361	455,062	1,860,132	1,983,542	6,907,413
33,582,396	8,265,057	15,442,653	24,171,358	39,807,796
<u>\$ 98,243,892</u>	<u>\$ 116,198,291</u>	<u>\$ 131,361,836</u>	<u>\$ 140,887,624</u>	<u>\$ 154,108,017</u>
\$ 184,125,153	\$ 246,955,906	\$ 257,164,517	\$ 253,718,778	\$ 253,508,440
13,214,719	10,500,060	11,678,648	12,665,814	18,086,667
47,698,915	27,953,904	37,337,303	44,922,793	61,447,708
<u>\$ 245,038,787</u>	<u>\$ 285,409,870</u>	<u>\$ 306,180,468</u>	<u>\$ 311,307,385</u>	<u>\$ 333,042,815</u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET ASSETS

Last Nine Years ⁽¹⁾

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 7,647,414	\$ 7,842,146	\$ 9,929,099	\$ 10,653,854
Public safety	9,499,193	10,366,327	12,374,528	15,002,765
Public works	19,547,503	15,303,239	17,215,751	13,952,069
Community services	3,683,909	3,759,983	4,726,051	5,665,064
Interest and fiscal agent fees	1,500,713	1,908,206	2,203,677	1,968,922
Total Governmental Activities Expenses	41,878,732	39,179,901	46,449,106	47,242,674
Business-Type Activities				
Utilities	14,308,479	13,545,907	14,541,689	14,644,245
Total Business-Type Activities Expenses	14,308,479	13,545,907	14,541,689	14,644,245
Total Primary Government Expenses	\$ 56,187,211	\$ 52,725,808	\$ 60,990,795	\$ 61,886,919
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 1,937,841	\$ 33,376	\$ 29,669	\$ 24,336
Public safety	1,184,556	1,580,698	1,757,121	1,888,852
Public works	1,884,102	4,123,813	4,618,669	4,850,922
Community services	522,935	609,940	622,078	602,954
Operating grants and contributions	1,465,603	475,210	1,215,328	1,622,948
Capital grants and contributions	-	1,209,402	19,849	18,746,413
Total Governmental Activities Program Revenues	6,995,037	8,032,439	8,262,714	27,736,425
Business-Type Activities				
Charges for services				
Utilities	15,613,173	16,370,309	18,525,851	19,493,923
Operating grants and contributions	-	-	-	45,000
Capital grants and contributions	234,021	50,961	4,353,738	14,313,418
Total Business-Type Activities Program Revenues	15,847,194	16,421,270	22,879,589	33,852,341
Total Primary Government Program Revenues	\$ 22,842,231	\$ 24,453,709	\$ 31,142,303	\$ 61,588,766
Net (Expense)/Revenue				
Governmental activities	\$ (34,883,695)	\$ (31,147,462)	\$ (38,186,392)	\$ (19,506,249)
Business-type activities	1,538,715	2,875,363	8,337,900	19,208,096
Total Primary Government Net Expense	\$ (33,344,980)	\$ (28,272,099)	\$ (29,848,492)	\$ (298,153)

	2007	2008	2009	2010	2011
\$	13,037,659	\$ 15,841,598	\$ 16,355,732	\$ 13,532,893	\$ 12,458,678
	14,326,938	15,614,443	16,643,840	21,024,434	22,078,186
	24,153,330	21,712,338	21,768,197	30,791,382	25,107,956
	5,620,482	6,461,008	6,871,519	6,855,694	4,243,548
	2,559,712	2,546,158	2,823,301	3,500,914	3,868,803
	<u>59,698,121</u>	<u>62,175,545</u>	<u>64,462,589</u>	<u>75,705,317</u>	<u>67,757,171</u>
	14,674,801	15,816,557	18,815,486	20,288,172	21,348,356
	<u>14,674,801</u>	<u>15,816,557</u>	<u>18,815,486</u>	<u>20,288,172</u>	<u>21,348,356</u>
\$	<u><u>74,372,922</u></u>	<u><u>77,992,102</u></u>	<u><u>83,278,075</u></u>	<u><u>95,993,489</u></u>	<u><u>89,105,527</u></u>
\$	2,006,502	\$ 985,022	\$ 1,564,845	\$ 3,425,079	\$ 3,397,307
	730,290	730,290	730,290	730,290	-
	7,461,978	7,997,532	7,186,901	7,565,705	4,659,274
	530,187	345,820	884,338	1,266,482	4,342,373
	764,091	3,090,510	4,888,926	2,283,291	4,933,663
	24,761,544	21,942,670	6,710,627	3,062,763	5,154,406
	<u>36,254,592</u>	<u>35,091,844</u>	<u>21,965,927</u>	<u>18,333,610</u>	<u>22,487,023</u>
	18,964,428	23,209,601	27,278,933	25,731,620	30,646,567
	-	105,075	150,107	131,943	-
	18,666,045	12,064,459	7,029,886	4,671,105	4,410,184
	<u>37,630,473</u>	<u>35,379,135</u>	<u>34,458,926</u>	<u>30,534,668</u>	<u>35,056,751</u>
\$	<u><u>73,885,065</u></u>	<u><u>70,470,979</u></u>	<u><u>56,424,853</u></u>	<u><u>48,868,278</u></u>	<u><u>57,543,774</u></u>
\$	(23,443,529)	\$ (27,083,701)	\$ (42,496,662)	\$ (57,371,707)	\$ (45,270,148)
	22,955,672	19,562,578	15,643,440	10,246,496	13,708,395
\$	<u><u>(487,857)</u></u>	<u><u>(7,521,123)</u></u>	<u><u>(26,853,222)</u></u>	<u><u>(47,125,211)</u></u>	<u><u>(31,561,753)</u></u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Nine Years ⁽¹⁾

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities				
Ad valorem taxes	\$ 16,216,829	\$ 18,173,498	\$ 20,269,723	\$ 23,161,785
Franchise	2,787,371	2,984,317	3,301,888	3,486,132
Sales	4,229,443	4,633,633	5,144,498	6,303,377
Investment earnings	474,557	509,070	842,941	1,301,752
Other revenues	7,998	734,538	190,043	105,634
Gain (loss) on sale of capital assets	(59,613)	-	-	-
Transfers	1,249,743	1,746,227	1,476,347	1,169,449
Total Governmental Activities	<u>24,906,328</u>	<u>28,781,283</u>	<u>31,225,440</u>	<u>35,528,129</u>
Business-type activities				
Investment earnings	519,996	310,942	848,677	1,493,383
Other revenues	871,646	2,101,036	-	-
Gain on sale of capital assets	-	-	-	-
Transfers	(1,249,743)	(1,746,227)	(1,476,347)	(1,169,449)
Total Business-Type Activities	<u>141,899</u>	<u>665,751</u>	<u>(627,670)</u>	<u>323,934</u>
Total Primary Government	<u>\$ 25,048,227</u>	<u>\$ 29,447,034</u>	<u>\$ 30,597,770</u>	<u>\$ 35,852,063</u>
Change in Net Assets				
Governmental activities	\$ (9,977,367)	\$ (2,366,179)	\$ (6,960,952)	\$ 16,021,880
Business-type activities	1,680,614	3,541,114	7,710,230	19,532,030
Total Primary Government	<u>\$ (8,296,753)</u>	<u>\$ 1,174,935</u>	<u>\$ 749,278</u>	<u>\$ 35,553,910</u>

(1) The requirement for statistical data is ten years; only nine years are available at this time.

(2) Beginning net assets for governmental activities for 2007 were restated as a result of a change in presentation of the City's component units from discrete to blended.

(3) Beginning net assets for governmental activities for 2008 were restated as a result of a change in presentation of the Destination League City component unit from blended to discrete.

(4) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

	2007 ⁽²⁾	2008 ⁽³⁾	2009 ⁽⁴⁾	2010	2011
\$	29,212,712	\$ 29,800,358	\$ 34,255,809	\$ 36,162,871	\$ 36,285,502
	7,980,512	4,463,564	4,613,734	4,831,866	4,927,378
	4,033,855	10,171,516	10,938,166	10,359,528	11,167,925
	2,032,052	1,364,833	406,217	192,401	146,199
	1,827,752	793,599	716,331	473,164	572,180
	(52,476)	-	30,410	-	-
	1,278,164	3,353,160	1,000,000	953,006	686,001
	<u>46,312,571</u>	<u>49,947,030</u>	<u>51,960,667</u>	<u>52,972,836</u>	<u>53,785,185</u>
	1,867,641	1,742,300	516,379	214,491	196,367
	-	-	-	17,807	1,632
	44,139	2,681	3,726	-	-
	(1,278,164)	(3,353,160)	(1,000,000)	(953,006)	(686,001)
	<u>633,616</u>	<u>(1,608,179)</u>	<u>(479,895)</u>	<u>(720,708)</u>	<u>(488,002)</u>
\$	<u>46,946,187</u>	<u>\$ 48,338,851</u>	<u>\$ 51,480,772</u>	<u>\$ 52,252,128</u>	<u>\$ 53,297,183</u>
\$	22,869,042	\$ 22,863,329	\$ 9,464,005	\$ (4,398,871)	\$ 8,515,037
	23,589,288	17,954,399	15,163,545	9,525,788	13,220,393
\$	<u>46,458,330</u>	<u>\$ 40,817,728</u>	<u>\$ 24,627,550</u>	<u>\$ 5,126,917</u>	<u>\$ 21,735,430</u>

CITY OF LEAGUE CITY, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years ⁽⁴⁾

(modified accrual basis of accounting)

	2002	2003	2004	2005
General Fund				
Reserved	\$ 31,347	\$ 148,786	\$ 573,495	\$ 634,782
Unreserved	10,270,504	11,666,969	12,371,313	11,055,917
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 10,301,851	\$ 11,815,755	\$ 12,944,808	\$ 11,690,699
All Other Governmental Funds				
Reserved	\$ 1,259,924	\$ 1,542,196	\$ 1,143,803	\$ 637,068
Unreserved, reported in:				
Special revenue funds	1,218,723	853,133	1,274,232	1,762,444
Capital project funds	6,651,139	22,490,881	13,516,099	5,730,204
Restricted	-	-	-	-
Assigned	-	-	-	-
Total All Other Governmental Funds	\$ 9,129,786	\$ 24,886,210	\$ 15,934,134	\$ 8,129,716

(1) Beginning fund balance for special revenue funds for 2007 has been restated for a change in presentation of the City's component units from discrete to blended.

(2) Beginning fund balance for special revenue funds for 2008 has been restated for a change in presentation of the Destination League City component unit from blended to discrete.

(3) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

(4) GASB Statement No 54 requirement for statistical data is ten years with retroactive implementation encouraged. Only one fiscal year is available at this time. The City chose not to restate 2010 to 2002.

<u>2006</u>	<u>2007 ⁽¹⁾</u>	<u>2008 ⁽²⁾</u>	<u>2009 ⁽³⁾</u>	<u>2010</u>	<u>2011</u>
\$ 346,826	\$ 367,413	\$ 372,661	\$ 383,708	\$ 375,744	\$ -
14,135,117	16,672,251	17,925,044	20,554,414	21,289,604	-
-	-	-	-	-	14,159
-	-	-	-	-	15,811,078
-	-	-	-	-	4,900,640
<u>\$ 14,481,943</u>	<u>\$ 17,039,664</u>	<u>\$ 18,297,705</u>	<u>\$ 20,938,122</u>	<u>\$ 21,665,348</u>	<u>\$ 20,725,877</u>
\$ 942,172	\$ 1,074,423	\$ 1,175,395	\$ 2,463,898	\$ 2,128,323	\$ -
2,241,932	6,186,017	7,307,631	6,124,122	8,625,122	-
9,246,133	5,608,438	19,761,965	18,434,939	27,621,801	-
-	-	-	-	-	11,253,290
-	-	-	-	-	42,998,020
<u>\$ 12,430,237</u>	<u>\$ 12,868,878</u>	<u>\$ 28,244,991</u>	<u>\$ 27,022,959</u>	<u>\$ 38,375,246</u>	<u>\$ 54,251,310</u>

CITY OF LEAGUE CITY, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Ten Years
 (modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Ad valorem taxes	\$ 15,817,659	\$ 17,002,192	\$ 18,384,555	\$ 20,246,369
Sales taxes	4,147,638	4,229,443	4,633,633	4,878,398
Franchise and local taxes	2,648,961	2,787,371	2,984,317	3,567,988
Licenses and permits	2,075,384	2,356,534	2,722,313	2,460,148
Fines and forfeitures	911,914	837,370	1,042,429	1,428,976
Charges for services	1,789,849	1,747,544	1,910,953	3,126,831
Intergovernmental	1,402,594	712,294	2,083,145	721,441
Investment earnings	628,450	458,875	500,216	833,275
Other revenues	1,090,739	1,380,482	996,818	635,951
Total Revenues	<u>30,513,188</u>	<u>31,512,105</u>	<u>35,258,379</u>	<u>37,899,377</u>
Expenditures				
General government	7,357,874	7,446,844	8,163,493	9,205,493
Public safety	8,204,040	8,998,563	9,433,903	11,336,910
Public works	6,946,703	7,738,927	7,462,520	8,906,921
Community services	3,195,907	3,373,144	4,527,100	3,715,646
Capital outlay	4,481,850	5,965,708	15,543,223	24,208,958
Debt service				
Principal	1,544,193	1,678,376	1,890,451	2,256,819
Interest	1,436,510	2,107,657	2,110,050	2,221,819
Total Expenditures	<u>33,167,077</u>	<u>37,309,219</u>	<u>49,130,740</u>	<u>61,852,566</u>
Excess of Revenues Over (Under) Expenditures	(2,653,889)	(5,797,114)	(13,872,361)	(23,953,189)
Other Financing Sources (Uses)				
Issuance of debt	2,926,416	30,335,320	5,070,000	14,175,000
Premium on debt	-	-	-	-
Payment to escrow agent	(2,924,349)	(9,188,614)	-	-
Transfers in	1,735,505	1,743,750	2,368,363	3,898,519
Transfers out	(1,308,726)	(1,377,253)	(1,351,651)	(3,179,293)
Total Other Financing Sources	<u>428,846</u>	<u>21,513,203</u>	<u>6,086,712</u>	<u>14,894,226</u>
Net Change in Fund Balances	<u>\$ (2,225,043)</u>	<u>\$ 15,716,089</u>	<u>\$ (7,785,649)</u>	<u>\$ (9,058,963)</u>
Debt service as a percentage of noncapital expenditures	11.99%	10.39%	12.08%	11.91%

(1) Beginning fund balance for special revenue funds for 2007 has been restated for a change in presentation of the City's component units from discrete to blended.

(2) Beginning fund balance for special revenue funds for 2008 has been restated for a change in presentation of the Destination League City component unit from blended to discrete.

(3) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

	2006	2007 ⁽¹⁾	2008 ⁽²⁾	2009⁽³⁾	2010	2011
\$	23,124,758	\$ 29,198,771	\$ 29,764,055	\$ 34,309,728	\$ 36,066,060	\$ 36,276,854
	6,303,377	7,980,512	10,171,516	10,938,166	10,359,528	11,167,925
	3,486,132	4,033,855	4,145,479	4,337,944	4,831,866	4,657,634
	1,440,637	2,087,633	2,746,066	1,727,849	2,079,481	1,785,027
	2,355,933	2,655,768	1,399,113	1,570,913	3,444,938	3,493,552
	3,521,772	1,631,013	3,794,687	4,333,205	4,715,349	4,342,373
	1,212,533	3,979,054	3,090,510	4,888,926	2,283,291	3,701,122
	1,279,331	1,827,752	1,308,255	388,877	189,583	145,749
	654,930	2,767,174	3,644,572	3,732,596	3,240,811	4,948,712
	<u>43,379,403</u>	<u>56,161,532</u>	<u>60,064,253</u>	<u>66,228,204</u>	<u>67,210,907</u>	<u>70,518,948</u>
	9,903,020	13,034,389	15,725,914	16,256,094	13,142,475	12,794,025
	12,318,494	13,255,090	15,117,809	16,744,221	19,954,328	21,177,179
	8,825,789	15,387,027	15,144,613	15,150,007	26,658,640	15,881,347
	3,726,145	5,448,799	5,322,367	5,289,925	5,573,819	5,128,899
	1,863,203	4,466,279	1,561,742	2,183,987	3,073,192	11,349,256
	2,797,966	5,705,866	3,467,065	3,429,370	5,806,220	6,478,159
	2,166,036	2,596,624	2,419,857	2,982,373	3,522,720	3,849,491
	<u>41,600,653</u>	<u>59,894,074</u>	<u>58,759,367</u>	<u>62,035,977</u>	<u>77,731,394</u>	<u>76,658,356</u>
	1,778,750	(3,732,542)	1,304,886	4,192,227	(10,520,487)	(6,139,408)
	4,695,000	5,211,280	15,500,000	-	21,600,000	20,390,000
	-	59,756	1,550	-	-	-
	-	(5,190,272)	-	-	-	-
	4,190,163	2,182,522	1,687,892	2,876,538	1,699,862	4,766,825
	<u>(3,459,087)</u>	<u>(1,757,396)</u>	<u>(1,413,529)</u>	<u>(1,876,538)</u>	<u>(699,862)</u>	<u>(4,080,824)</u>
	<u>5,426,076</u>	<u>505,890</u>	<u>15,775,913</u>	<u>1,000,000</u>	<u>22,600,000</u>	<u>21,076,001</u>
\$	<u>7,204,826</u>	<u>\$ (3,226,652)</u>	<u>\$ 17,080,799</u>	<u>\$ 5,192,227</u>	<u>\$ 12,079,513</u>	<u>\$ 14,936,593</u>
	11.90%	12.49%	10.70%	10.83%	12.80%	15.81%

CITY OF LEAGUE CITY, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential Property	\$ 1,951,487,659	\$ 2,188,937,830	\$ 2,417,485,421	\$ 2,820,562,981
Commercial Property	375,811,460	382,911,120	372,405,530	416,878,980
Personal Property	158,549,030	167,827,892	179,980,282	181,691,376
Less: Tax Exempt Property	<u>205,746,702</u>	<u>221,444,547</u>	<u>254,590,717</u>	<u>292,747,603</u>
Total Assessed Value (1)	<u>\$ 2,280,101,447</u>	<u>\$ 2,518,232,295</u>	<u>\$ 2,715,280,516</u>	<u>\$ 3,126,385,734</u>
Total Direct Tax Rate	0.66250	0.65000	0.64000	0.63000

Source: Tax department of the City.

(1) All property is assessed at 100% of actual taxable value.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,167,696,117	\$ 3,670,578,501	\$ 4,128,863,226	\$ 4,540,062,529	\$ 4,828,893,836	\$ 4,917,368,181
426,147,790	580,429,070	621,277,682	723,844,486	765,177,479	734,054,058
189,632,613	215,589,072	236,407,969	282,117,311	311,130,485	287,039,236
484,715,934	532,254,310	327,004,477	359,984,398	364,585,279	443,917,749
<u>\$ 3,298,760,586</u>	<u>\$ 3,934,342,333</u>	<u>\$ 4,659,544,400</u>	<u>\$ 5,186,039,928</u>	<u>\$ 5,540,616,521</u>	<u>\$ 5,494,543,726</u>
0.62750	0.60880	0.60880	0.63000	0.63000	0.61600

CITY OF LEAGUE CITY, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City of League City:				
Operating tax rate	\$ 0.434400	\$ 0.421500	\$ 0.428800	\$ 0.429400
Debt service tax rate	0.228100	0.228500	0.211200	0.200600
Total Direct Rates	<u>\$ 0.662500</u>	<u>\$ 0.650000</u>	<u>\$ 0.640000</u>	<u>\$ 0.630000</u>
Clear Creek Independent School District	\$ 1.725000	\$ 1.740000	\$ 1.730000	\$ 1.745000
College of the Mainland, Jr. College District	0.218000	0.231087	0.263060	0.245250
Dickinson Independent School District	1.747000	1.764000	1.743000	1.738000
Santa Fe Independent School District	1.510000	1.570000	1.570000	1.570000
Galveston County (includes Road & Flood)	0.565400	0.606300	0.640000	0.638750
Galveston Co. Mun. Utility District No. 2	0.460000	0.430000	0.390000	0.365000
Galveston Co. Mun. Utility District No. 3	0.430000	0.390000	0.320000	0.250000
Galveston Co. Mun. Utility District No. 6	0.750000	0.700000	0.700000	0.700000
Galveston Co. Mun. Utility District No. 13	0.965000	0.915000	0.860000	0.760000
Galveston Co. Mun. Utility District No. 14	1.000000	1.000000	0.970000	0.920000
Galveston Co. Mun. Utility District No. 15	0.870000	0.870000	0.860000	0.830000
Tara Glen MUD	0.750000	0.725000	0.070000	0.700000
Bay Colony West MUD				1.000000
Galveston Co. Mun. Utility District No. 39		0.900000	0.900000	0.900000
Galveston Co. Mun. Utility District No. 43				1.000000
Galveston Co. Mun. Utility District No. 44				
Galveston Co. Mun. Utility District No. 45				
Galveston Co. Mun. Utility District No. 46				
South Shore Harbour Mun. Utility District No. 2	0.750000	0.570000	0.520000	0.450000
South Shore Harbour Mun. Utility District No. 3	0.300000	0.300000	0.240000	0.220000
South Shore Harbour Mun. Utility District No. 6	0.400000	0.380000	0.350000	0.310000
South Shore Harbour Mun. Utility District No. 7		0.500000	1.000000	1.000000
Total Direct and Overlapping Rates (1)	<u>\$ 13.102900</u>	<u>\$ 14.241387</u>	<u>\$ 13.766060</u>	<u>\$ 15.972000</u>

Note: The basis for property tax rates is per \$100 of the assessed valuation.

Source: Tax department records of the various governments.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 0.391900	\$ 0.386514	\$ 0.404000	\$ 0.413932	\$ 0.408871	\$ 0.396729
0.235600	0.222286	0.204800	0.216068	0.221129	0.219271
<u>\$ 0.627500</u>	<u>\$ 0.608800</u>	<u>\$ 0.608800</u>	<u>\$ 0.630000</u>	<u>\$ 0.630000</u>	<u>\$ 0.616000</u>
\$ 1.775000	\$ 1.630000	\$ 1.320000	\$ 1.360000	\$ 1.360000	\$ 1.360000
0.243020	0.233450	0.227380	0.221640	0.221640	0.233890
1.751000	1.724000	1.430000	1.500000	1.504000	1.540000
1.570000	1.445000	1.160000	1.160000	1.330200	1.419200
0.628750	0.598750	0.580000	0.570000	0.630000	0.628750
0.300000	0.260000	0.250000	0.240000	0.240000	0.240000
0.210000	0.160000	0.140000	0.130000	0.120000	0.120000
0.640000	0.480000	0.440000	0.440000	0.400000	0.400000
0.710000	0.630000	0.610000	0.585000	0.560000	0.550000
0.900000	0.880000	0.880000	0.870000	0.870000	0.860000
0.825000	0.825000	0.825000	0.795000	0.790000	0.790000
0.670000	0.670000	0.670000	0.670000	0.670000	0.670000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
0.900000	0.900000	0.900000	0.900000	0.900000	0.900000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
	1.000000	0.800000	0.800000	0.800000	0.800000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
	1.000000	1.000000	1.000000	1.000000	1.000000
0.340000	0.290000	0.290000	0.240000	0.220000	0.170000
0.200000	0.180000	0.170000	0.160000	0.160000	-
0.310000	0.300000	0.300000	0.290000	0.290000	0.290000
0.950000	0.820000	0.800000	0.750000	0.700000	0.650000
<u>\$ 16.550270</u>	<u>\$ 17.635000</u>	<u>\$ 16.401180</u>	<u>\$ 16.311640</u>	<u>\$ 16.395840</u>	<u>\$ 16.237840</u>

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CITY OF LEAGUE CITY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Tax Payer	2011			2002		
	Assessed Value	Rank	% of Assessed Value	Assessed Value	Rank	% of Assessed Value
A-S 85 Victory Lakes	\$ 36,615,900		0.67%			
Texas-New Mexico Power Co	23,839,640		0.43%	\$ 19,042,790	3	0.84%
League City Towne Center LTD	21,337,970		0.39%			
Haven at South Shore LP	20,085,920		0.37%			
Sunstone Broadstone LP	17,161,070		0.31%			
GS Beacon Lakes LP	17,034,150		0.31%			
MB League City Bay Colony	16,462,790		0.30%			
MF/WM Tuscan Land LTD	16,404,660		0.30%			
Target Corporation	15,919,437		0.29%			
Ravello Partners LLC	15,300,090		0.28%			
Spanos Corporation				24,170,350	1	1.06%
South Shore Harbour Development				22,031,780	2	0.97%
Verizon Southwest				16,195,670	4	0.71%
American National Insurance Co.				13,699,370	5	0.60%
South Shore Lakes LTD				12,854,390	6	0.56%
SDGA Investments, Inc				12,750,120	7	0.56%
The Moorings Group				9,713,830	8	0.43%
Clear Lake Partners				9,600,090	9	0.42%
ML Texas Apartments LP				9,149,980	10	0.40%
Subtotal	\$ 200,161,627		3.64%	\$ 149,208,370		6.54%
Other Taxpayers	5,294,382,099		96.36%	2,130,893,077		93.46%
Total ⁽¹⁾	\$ 5,494,543,726		100.00%	\$ 2,280,101,447		100.00%

Source: Tax department records of the City.

(1) Net of exemptions and abatements

CITY OF LEAGUE CITY, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount	Percent of Levy
2002	2001	\$ 0.662500	\$ 15,649,134	15,375,939	98.25%
2003	2002	\$ 0.650000	\$ 17,021,332	16,765,294	98.50%
2004	2003	\$ 0.640000	\$ 18,925,928	18,510,765	97.81%
2005	2004	\$ 0.630000	\$ 20,703,814	20,338,727	98.24%
2006	2005	\$ 0.627500	\$ 23,402,712	23,019,283	98.36%
2007	2006	\$ 0.608800	\$ 25,670,846	25,256,206	98.38%
2008	2007	\$ 0.608800	\$ 26,918,178	26,441,828	98.23%
2009	2008	\$ 0.630000	\$ 30,867,178	30,476,981	98.74%
2010	2009	\$ 0.630000	\$ 32,875,370	32,560,792	99.04%
2011	2010	\$ 0.616000	\$ 32,814,072	32,527,089	99.13%

Collections in Subsequent Years		Total Collections to Date	
Amount		Amount	Percent of Levy
\$ 247,629		\$ 15,623,568	99.84%
\$ 233,218		\$ 16,998,512	99.87%
\$ 374,347		\$ 18,885,112	99.78%
\$ 321,640		\$ 20,660,367	99.79%
\$ 336,489		\$ 23,355,772	99.80%
\$ 347,501		\$ 25,603,707	99.74%
\$ 398,536		\$ 26,840,364	99.71%
\$ 308,128		\$ 30,785,109	99.73%
\$ 192,883		\$ 32,753,675	99.63%
N/A		\$ 32,527,089	99.13%

CITY OF LEAGUE CITY, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 17,428,676	\$ 20,796,089	\$ 19,094,836	\$ 17,462,650
Certificates of obligation	8,289,640	24,973,242	29,344,644	42,494,787
Subtotal	<u>25,718,316</u>	<u>45,769,331</u>	<u>48,439,480</u>	<u>59,957,437</u>
Business-Type Activities:				
General obligation bonds	22,986,325	24,018,913	23,350,166	22,417,350
Certificates of obligation	9,725,360	7,641,759	7,225,356	6,795,213
Revenue bonds	16,700,000	8,725,000	14,105,000	25,835,000
Contract revenue bonds	8,189,111	14,265,298	6,950,985	6,329,971
Subtotal	<u>57,600,796</u>	<u>54,650,970</u>	<u>51,631,507</u>	<u>61,377,534</u>
Total Primary Government	<u>\$ 83,319,112</u>	<u>\$ 100,420,301</u>	<u>\$ 100,070,987</u>	<u>\$ 121,334,971</u>
Personal Income (\$000's)	\$ 1,083,956	\$ 1,352,560	\$ 1,930,926	\$ 2,139,602
Debt as a Percentage of Personal Income	7.69%	7.42%	5.18%	5.67%
Population	53,000	58,000	62,300	67,300
Debt Per Capita	\$ 1,572	\$ 1,731	\$ 1,606	\$ 1,803

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 16,315,283	\$ 16,580,901	\$ 15,014,339	\$ 13,189,971	\$ 11,163,750	\$ 9,660,590
45,368,673	41,635,504	55,235,000	53,630,000	71,450,000	87,550,000
<u>61,683,956</u>	<u>58,216,405</u>	<u>70,249,339</u>	<u>66,819,971</u>	<u>82,613,750</u>	<u>97,210,590</u>
20,359,717	23,564,099	20,745,660	17,405,030	13,721,250	9,924,409
6,351,328	739,496	207,000	-	-	-
24,550,000	23,240,000	48,685,000	84,540,000	83,175,000	94,835,000
5,700,000	5,170,000	4,615,000	4,040,000	3,440,000	2,720,000
<u>56,961,045</u>	<u>52,713,595</u>	<u>74,252,660</u>	<u>105,985,030</u>	<u>100,336,250</u>	<u>107,479,409</u>
<u>\$ 118,645,001</u>	<u>\$ 110,930,000</u>	<u>\$ 144,501,999</u>	<u>\$ 172,805,001</u>	<u>\$ 182,950,000</u>	<u>\$ 204,689,999</u>
\$ 2,333,520	\$ 2,462,530	\$ 2,630,619	\$ 2,731,274	\$ 2,957,021	\$ 2,707,251
5.08%	4.50%	5.49%	6.33%	6.19%	7.56%
72,000	76,700	79,300	81,300	83,560	85,300
\$ 1,648	\$ 1,446	\$ 1,822	\$ 2,126	\$ 2,189	\$ 2,400

CITY OF LEAGUE CITY, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
 Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net Assessed Value				
All property	\$ 2,280,101,447	\$ 2,518,232,295	\$ 2,715,280,516	\$ 3,126,385,734
Net Bonded Debt				
Gross bonded debt	\$ 25,718,316	\$ 45,769,331	\$ 48,439,480	\$ 59,957,437
Less debt service funds	1,259,924	1,542,196	1,143,803	637,068
Total Net Bonded Debt	<u>\$ 24,458,392</u>	<u>\$ 44,227,135</u>	<u>\$ 47,295,677</u>	<u>\$ 59,320,369</u>
Ratio of Net Bonded Debt To Assessed Value	1.07%	1.76%	1.74%	1.90%
Population	53,000	58,000	62,300	67,300
Net Bonded Debt Per Capita	\$ 461	\$ 763	\$ 759	\$ 881

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,298,760,586	\$ 3,934,342,333	\$ 4,659,544,400	\$ 5,186,039,928	\$ 5,540,616,521	\$ 5,494,543,726
\$ 61,683,955	\$ 58,216,405	\$ 70,249,339	\$ 66,819,969	\$ 82,613,750	\$ 97,210,590
942,172	1,074,250	1,175,395	2,463,899	2,128,323	2,733,382
<u>\$ 60,741,783</u>	<u>\$ 57,142,155</u>	<u>\$ 69,073,944</u>	<u>\$ 64,356,070</u>	<u>\$ 80,485,427</u>	<u>\$ 94,477,208</u>
1.84%	1.45%	1.48%	1.24%	1.45%	1.72%
72,000	76,700	79,300	81,300	83,560	85,300
\$ 844	\$ 745	\$ 871	\$ 792	\$ 963	\$ 1,108

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CITY OF LEAGUE CITY, TEXAS

DIRECT AND ESTIMATED OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2011

Taxing Jurisdiction	Debt Outstanding	Overlapping	
		Estimated Percentage*	Overlapping Amount
Clear Creek ISD	\$ 654,505,000	29.440%	\$ 192,686,272
Dickinson ISD	\$ 229,906,450	26.300%	\$ 60,465,396
Galveston County	\$ 338,288,422	23.160%	\$ 78,347,599
Galveston Co. Mun. Utility District No. 2	\$ 2,740,000	100.000%	\$ 2,740,000
Galveston Co. Mun. Utility District No. 3	\$ 3,820,000	100.000%	\$ 3,820,000
Galveston Co. Mun. Utility District No. 6	\$ 18,335,000	100.000%	\$ 18,335,000
Galveston Co. Mun. Utility District No. 13	\$ 5,910,000	100.000%	\$ 5,910,000
Galveston Co. Mun. Utility District No. 14	\$ 14,445,000	100.000%	\$ 14,445,000
Galveston Co. Mun. Utility District No. 15	\$ 12,995,000	100.000%	\$ 12,995,000
Galveston Co. Mun. Utility District No. 39	\$ 20,685,000	100.000%	\$ 20,685,000
Galveston Co. Mun. Utility District No. 43	\$ 24,015,000	100.000%	\$ 24,015,000
Galveston Co. Mun. Utility District No. 44	\$ 3,820,000	100.000%	\$ 3,820,000
Galveston Co. Mun. Utility District No. 46	\$ 9,045,000	100.000%	\$ 9,045,000
Bay Colony West MUD	\$ 9,640,000	100.000%	\$ 9,640,000
Tara Glen MUD	\$ 2,965,000	100.000%	\$ 2,965,000
South Shore Harbour Mun. Utility District No. 2	\$ 3,270,000	100.000%	\$ 3,270,000
South Shore Harbour Mun. Utility District No. 6	\$ 3,640,000	100.000%	\$ 3,640,000
South Shore Harbour Mun. Utility District No. 7	\$ 20,515,000	100.000%	\$ 20,515,000
Santa Fe ISD	\$ 77,995,000	2.390%	\$ 1,864,081
Harris County	\$ 2,874,566,628	0.030%	\$ 862,370
Harris County Department of Education	\$ 7,980,000	0.030%	\$ 2,394
Harris County Flood Control District	\$ 102,539,024	0.030%	\$ 30,762
Port of Houston Authority	\$ 763,619,397	0.030%	\$ 229,086
Subtotal, overlapping debt			\$ 490,327,959
City direct debt		100.000%	\$ 97,210,590
Total direct and overlapping debt			<u><u>\$ 587,538,549</u></u>
Population			85,300
Per Capita Debt-Direct and Overlapping			<u><u>\$ 6,888</u></u>

Source: Tax department records of the various governments.

* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

CITY OF LEAGUE CITY, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	2002	2003	2004	2005
Gross revenues (1)	\$ 16,696,802	\$ 16,125,929	\$ 16,696,689	\$ 19,374,530
Operating expenses (2)	\$ 8,168,135	\$ 10,766,072	\$ 10,151,705	\$ 10,569,401
Net revenues available for Debt Service	\$ 8,528,667	\$ 5,359,857	\$ 6,544,984	\$ 8,805,129
Debt Service Requirements (3)				
Principal	\$ 1,285,000	\$ 1,310,000	\$ 1,330,000	\$ 1,235,000
Interest	862,805	797,468	1,066,870	739,526
Total	\$ 2,147,805	\$ 2,107,468	\$ 2,396,870	\$ 1,974,526
Coverage	3.97	2.54	2.73	4.46

(1) Gross revenues as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions, grant revenues, and capital recovery fees.

(2) Total operating expenses, as defined in the revenue bond ordinances, do not include amortization, bond interest, and fiscal charges.

(3) Debt service requirements are based on the expected debt service payments for the following fiscal year.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 20,987,306	\$ 20,876,208	\$ 25,059,656	\$ 27,799,038	\$ 25,963,918	\$ 30,844,566
\$ 11,765,081	\$ 12,380,882	\$ 12,717,300	\$ 14,593,413	\$ 15,780,459	\$ 16,782,412
\$ 9,222,225	\$ 8,495,326	\$ 12,342,356	\$ 13,205,625	\$ 10,183,459	\$ 14,062,154
\$ 1,250,000	\$ 1,330,000	\$ 1,345,000	\$ 1,365,000	\$ 1,380,000	\$ 1,960,000
685,519	950,533	894,119	3,741,435	3,549,816	3,998,470
<u>\$ 1,935,519</u>	<u>\$ 2,280,533</u>	<u>\$ 2,239,119</u>	<u>\$ 5,106,435</u>	<u>\$ 4,929,816</u>	<u>\$ 5,958,470</u>
4.76	3.73	5.51	2.59	2.07	2.36

CITY OF LEAGUE CITY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended Sept. 30	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾	Median Age ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	Educational Attainment ⁽²⁾⁽⁵⁾
2002	53,000	\$ 1,083,956	\$ 20,452	33.1	10,007	7.4%	
2003	58,000	\$ 1,352,560	\$ 23,320	33.7	10,582	8.2%	24%
2004	62,300	\$ 1,930,926	\$ 30,994	34.9	11,102	7.7%	36%
2005	67,300	\$ 2,139,602	\$ 31,792	35.4	11,883	5.8%	36%
2006	72,000	\$ 2,333,520	\$ 32,410	35.5	12,034	5.1%	36%
2007	76,700	\$ 2,462,530	\$ 32,106	35.7	12,906	4.5%	36%
2008	79,300	\$ 2,630,619	\$ 33,173	35.7	13,855	4.1%	36%
2009	81,300	\$ 2,731,274	\$ 33,595	35.8	14,332	6.1%	35%
2010	83,560	\$ 2,957,021	\$ 35,388	35.6	13,686	7.4%	38%
2011	85,300	\$ 2,707,251	\$ 31,738	34.8	13,774	7.9%	38%

Data sources:

- (1) City of League City Planning Department
- (2) CDS Market Research/Claritas Survey/ESRI Data Source
- (3) Clear Creek ISD
- (4) Texas Workforce Commission
- (5) Percent of population with Bachelor's degree or higher

Note: Personal income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the start of the school year.

Information not presented is not available.

CITY OF LEAGUE CITY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago

Employer	2011			2003 ⁽²⁾	
	Employees	Percent of Total Employment ⁽¹⁾	Rank	Employees	Rank
Clear Creek Independent School District	5,000	12.47%	1	3,688	1
American National Insurance	675	1.68%	2	290	3
City of League City	525	1.31%	3	394	2
Krogers	377	0.94%	4	150	6
Walmart ⁽³⁾	335	0.84%	5		
Devereaux Texas Treatment Network	274	0.68%	6	250	4
H.E.B	230	0.57%	7	65	8
Harborview Care Center	189	0.47%	8	150	5
Randall's	91	0.23%	9	78	7
	7,696	19.19%		5,065	

(1) Percent of total employment is based on total employment of 40,094.

(2) Comparable data is not available for 2002.

(3) Comparable data is not available for 2003.

Source: Human Resource Department of each company

CITY OF LEAGUE CITY, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Governmental Activities:</u>										
General government	45	45.75	47	49	49	53	63	62	86	75.25
Public safety	126.5	135	142.5	153	155.25	163.25	176.25	180.75	192	193.5
Public works	81	82.5	82.5	88	90	87	100	100.5	82	93.5
Community service	54	56	56.5	57.5	59.5	76	83	80.5	71.5	70.5
<u>Business-Type Activities:</u>										
Utilities	70	75	76	76	77	85	86	87	88	92.75
Total City Positions	<u>376.50</u>	<u>394.25</u>	<u>404.50</u>	<u>423.50</u>	<u>430.75</u>	<u>464.25</u>	<u>508.25</u>	<u>510.75</u>	<u>519.50</u>	<u>525.50</u>

Source: City Finance Department

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CITY OF LEAGUE CITY, TEXAS
OPERATING INDICATORS BY FUNCTION / PROGRAM
 Last Ten Years

Function / Program	Year			
	2002	2003	2004	2005
City of League City				
Population	53,000	58,000	62,300	67,300
Square miles	53	53	53	53
Budgeted full time employees	380	394	410	424
Police				
Arrests	2,400	2,670	2,406	2,495
Calls for service	52,447	44,238	24,508	31,250
Municipal court				
Traffic violations	10,322	7,843	11,699	13,418
Non-traffic violations	3,690	3,450	3,603	3,459
Fire				
Calls answered	747	705	773	891
Inspections	2186	1999	1874	2214
Parks and recreation				
Recreation programs (\$)	\$ 128,200	\$ 172,769	\$ 169,152	\$ 166,149
Field and facility rentals (\$)	\$ 143,434	\$ 140,410	\$ 166,686	\$ 159,059
Community Development				
Residential building permits issued	1,365	1,482	1,516	1,249
Residential building permits issued-\$ value	\$ 238,362,126	\$ 217,110,980	\$ 236,092,416	\$ 225,268,358
Commercial building permits issued	18	30	39	69
Commercial building permits issued-\$ value	\$ 14,137,848	\$ 20,922,190	\$ 82,391,607	\$ 61,541,607
Water				
Average daily gallons pumped-combined water (millions of gallons)	5.30	5.50	6.00	7.30
Average daily gallons pumped-surface water (millions of gallons)	5.20	5.50	6.00	7.20
Average daily gallons pumped-well water (millions of gallons)	0.10	0.40	0.54	0.47
Number of connections	16,836	18,850	20,478	21,459
Wastewater				
Average daily effluent treated (millions of gallons)	5.10	5.50	5.79	6.17
Number of connections	16,261	18,044	19,492	20,328

Source: Various City departments

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	72,000	76,700	79,300	81,300	83,560	85,300
	53	53	53	53	53	53
	436	464	508	510	520	525
	2,356	2,678	2,325	3,055	3,333	3,349
	46,427	60,370	33,225	37,444	35,616	36,775
	12,155	14,649	11,506	11,433	16,879	15,337
	2,925	2,908	2,383	2,441	2,529	2,176
	868	843	1,016	993	920	935
	2215	1945	2,072	2,376	2,038	3,489
\$	189,740	\$ 198,794	\$ 327,155	\$ 409,738	\$ 398,404	\$ 442,314
\$	115,710	\$ 103,076	\$ 105,602	\$ 104,906	\$ 91,566	\$ 80,093
	1,580	1,549	880	712	769	622
\$	266,426,720	\$ 256,555,787	\$ 152,247,419	\$ 117,751,909	\$ 145,502,081	\$ 121,830,589
	47	79	66	27	11	10
\$	36,033,628	\$ 78,638,198	\$ 191,206,441	\$ 39,936,940	\$ 11,486,880	\$ 13,831,240
	7.70	7.60	9.00	10.00	9.23	10.58
	7.60	6.34	9.00	9.00	9.16	10.40
	0.70	0.90	0.34	0.18	0.71	0.2
	23,043	24,628	25,762	26,368	27,092	27,669
	6.50	7.20	6.78	6.82	7.20	6.08
	21,838	23,485	24,490	25,118	25,508	26,554

CITY OF LEAGUE CITY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
 Last Ten Years

Function / Program	Year			
	2002	2003	2004	2005
General government				
Municipal buildings	32	32	32	36
City vehicles	207	216	227	246
Public safety				
Police Protection				
Stations	1	1	1	1
Fire Protection				
Stations/drill field	4	4	4	6
Fire apparatus	9	9	11	11
Public works				
Streets (lane miles)	292	296	307	312
Community services				
Parks	8	8	8	8
Ball fields	24	25	25	25
Swimming pools	1	1	1	1
Pavilions	8	8	8	8
Park acreage				
Developed	166	166	166	189
Water				
Water wells	5	5	4	4
Ground/elevated storage tanks	14	15	15	17
Water mains (miles)	291	300	317	340
Fire hydrants	2,115	2,161	2,345	2,575
Wastewater				
Wastewater treatment plants	2	2	2	2
Sanitary sewers (miles)	210	218	233	251
Sewer manholes	5,432	5,654	6,124	6,665

Source: Various City departments

2006	2007	2008	2009	2010	2011
36	36	36	36	36	36
232	252	259	265	278	291
1	1	1	1	1	1
6	6	6	6	6	6
12	10	20	21	21	23
316	320	324	337	341	342
8	10	18	18	18	18
25	29	33	33	32	32
1	1	1	1	1	1
8	8	8	8	8	8
189	199	347	347	347	347
4	4	4	4	4	5
17	16	16	16	15	14
354	368	376	388	391	415
2,714	2,841	2,929	3,043	3,178	3,329
2	2	2	2	2	2
262	272	279	281.7	294.9	301
6,969	7,272	7,272	7,272	7,851	7,950