

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF LEAGUE CITY, TEXAS

For the Year Ended
September 30, 2010

Prepared by
Finance Department

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Controller

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Accounting Manager

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CITY OF LEAGUE CITY, TEXAS

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INTRODUCTORY SECTION

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February 15, 2011

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, 2010, 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 are accurate in all material respects and are 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, 2010, 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, 2010, 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 83,560 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.

The City provides a full range of services. These services include police, emergency management, animal control and municipal court facilities; the construction and maintenance of streets, drainage systems and other infrastructure; recreational parks, swimming pools and athletic fields; and other facilities for various cultural and civic activities. 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 Economic Development Corporation
- Destination League City Convention and Visitors Corporation
- City of League City Tax Increment Financing Zone No. One
- 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

The City also operates its own Water and Wastewater System for all residential and commercial locations within its limits as well as for seventeen municipal utility districts within the City's territorial limits. The City contracts out for solid waste collection services.

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.

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 recently released 2010 Census places League City's population at 83,560 persons, an 84% increase over the 45,444 persons residing in the community in 2000. 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 into the 3% growth range annually. The City currently enjoys a 7.4% unemployment rate, compared to roughly 8.5% throughout the region. Sales tax revenues that had increased steadily in past years dipped slightly in FY 2010, largely because rebuilding efforts related to Hurricane Ike were complete in FY 2009, thereby obscuring an underlying growth rate that mirrors the steady growth of the City.

In May 2010, the voters of League City approved the transition to a city manager-council form of government. This important decision signaled the beginning of a new era of government centered upon responsibility and performance. Recent government activity has focused on economic diversity and sustainability.

A recently completed branding study for 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. A recommendation for improvements to Main Street and the historic core of League City has resulted in preparation for an implementation plan intended to transform the area into a regional destination followed by construction of catalyst projects intended to spur additional private investment in the area.

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 represents 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 with 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 9.5 mile paddle trail along Clear Creek with five 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 has expanded to include a number of restaurants such as Spring Creek Barbeque, Five Guys, Freebirds, and New York Pizzeria, as well as two nationally recognized hotels. More recently, Tanger Outlet Stores has announced its intent to construct 374,000 square feet of outlet retail space in the area.
- 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 growing presence.
- 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 and the area has shown particular attractiveness for small architectural, engineering, and medical services firms that locate within close proximity to employees.
- Startups and 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 “Health” 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 2010, 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 also participating ICMA’s Comparative 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

In FY 2010, the City of League City completed a financial planning cycle that provides a baseline for the future. The City published the Long Range Financial Forecast (LRFF) for FY 2011-2015 in May, 2010. 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, regional energy employment, regional purchasing managers' index, new homes construction, 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 2011-2015 released in August, 2010. As in previous years, the CIP included priority projects that support the City goals. However, the FY 2011-2015 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 Annual Budget was developed and built upon the same assumptions used in the LRFF and CIP with an important addition. The Budget included performance information as the important step towards a performance management system. The Budget also included a reduction in the property tax rate of 1.4 cents from \$0.63 to \$0.616 per \$100 of taxable value, providing important tax relief to League City taxpayers during a down economic period.

The FY 2011-2015 CIP and the FY 2011 Budget were adopted by City Council, providing the blueprint for the City in FY 2011. During FY 2011, periodic reports will be presented to the Mayor and City Council that include 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.

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, 2010, the General Fund met and exceeded this goal. Additionally, the Utility Fund maintained net assets sufficient to meet bond covenant requirements for debt coverage.

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

League City voters adopted the Manager-Council form of government in May, 2010, creating the office of the City Manager. Long-term planning and improved customer service immediately became the primary focus of the City under the new form of government.

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 2010, the City began work to complete 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 first fully financed Capital Improvements Plan for FY 2011-2015, showing only fully funded projects as CIP projects.

In keeping with the Wastewater Master Plan, the City and private development continued implementing connections to the sanitary sewer system from the projected 14,000 EDU service area. The 4.5 MGD Expansion of the Dallas Salmon Wastewater Treatment Plant was completed in FY 2010. The Southwest Water Reclamation Facility is now under construction with completion expected in Spring of 2012.

Transportation improvements continue to be a priority in League City. The City evaluated its previous plans for the Five Corners intersection, holding public meetings and performing new traffic studies to identify lower cost alternatives. TXDOT approval is required to adopt one of the less costly, more efficient alternatives because the intersection marks the nexus of three highways, FM 2094, FM 518 and FM 270. Work will commence when state approval is secured.

Additionally, the City began to make preparations in FY 2010 to assume responsibility for its street signal system from TXDOT. Internal staff capabilities were upgraded, and planning initiated to acquire traffic flow management systems to be phased into the City's intersections in the future.

Also in FY 2010, the City began 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.

Design for the Eastern Regional Park was completed in FY 2010, prompting consideration of how maintenance and operating costs for the Park might be funded once it is complete. Subsequently, the City and 4B Corporation arrived at an approach that includes building the Park in phases and setting aside a portion of 4B sales tax revenue for maintenance and operations as provided by State law. Additionally, the City, in conjunction with the 4B Corporation, completed a Master Trails Plan to provide a citywide trails system.

Other significant projects completed in FY 2010 included the Animal Shelter Expansion and repainting of the Brittany Bay Water Tower.

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 to be 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. The City also is preparing to construct a new public safety building for the primary use of its police department, emergency management and jail.

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.

As an outgrowth of the need to improve performance, technology will assume a more visible role in the City's service provision efforts. Current technology includes capabilities that range from state of the art to non-existent systems and equipment. Technology improvement will center on enhanced operational capability that enables city staff to provide improved or increased service at lower cost over time than would have otherwise been possible. This will include enhancements to the City's webpage and internet presence that allow citizens more direct access to important information and City functions.

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, 2009. This is the 26th 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.

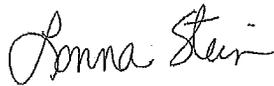
Acknowledgements

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
Director of Finance



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, 2009

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.



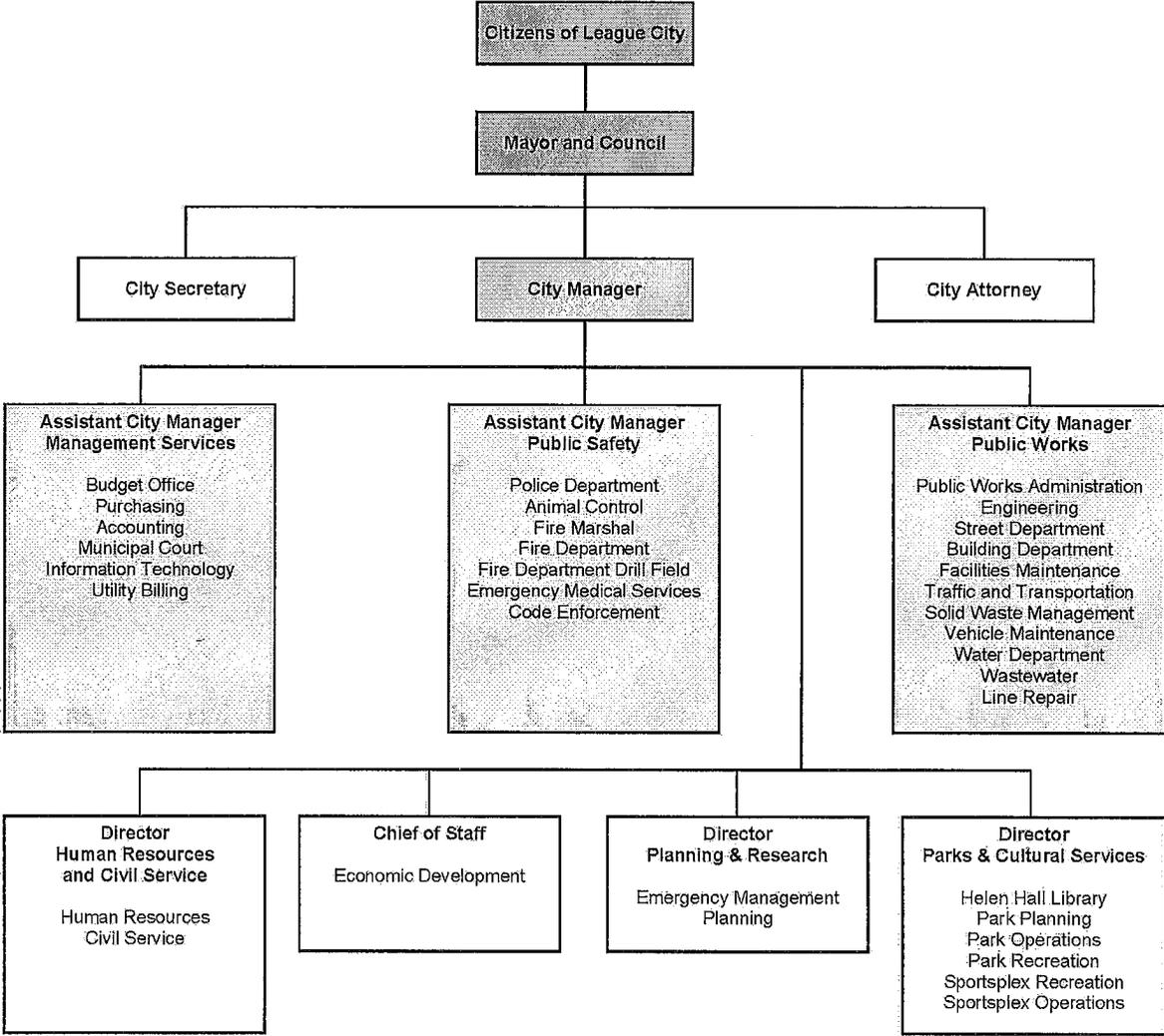
President

Executive Director

CITY OF LEAGUE CITY, TEXAS

ORGANIZATIONAL CHART

September 30, 2010



CITY OF LEAGUE CITY, TEXAS

PRINCIPAL CITY OFFICIALS

September 30, 2010

Elected Officials	Position
Toni Randall	Mayor
Neil Baron	Council Member
Mike Barber	Council Member
Joseph Phalen	Council Member
Michael Lee	Council Member
Phyllis Sanborn	Council Member
Tim Paulissen	Council Member
Joanna Sharp Dawson	Council Member
Appointed Officials	Position
Marcus Jahns	City Manager
Barbara Long	City Secretary
Michael Loftin	Assistant City Manager – Management Services
Richard Oller	Assistant City Manager – Public Works
Michael Jez	Assistant City Manager – Public Safety
Tony Allender	Director of Planning & Research
Chien Wei	Director of Parks & Cultural Affairs
Brian Hayes	Director of Human Resources & Civil Service
David Benson	Chief of Staff

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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, 2010, 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, 2010, 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 February 15, 2011, 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

Providing Governmental & Nonprofit Audits Sealed with Excellence

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 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
February 15, 2011

***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, 2010

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 two categories of City funds are governmental and proprietary.

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, 2010

The City maintains 32 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. The City adopts an annual appropriated budget for its general fund and the majority of its special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

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.

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 \$311,307,385 as of September 30, 2010 for the primary government. This compares with \$306,180,468 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, 82 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, 2010

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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 69,256,901	\$ 58,368,235	\$ 82,564,582	\$ 85,123,154	\$ 151,821,483	\$ 143,491,389
Capital assets, net	193,922,421	193,012,016	163,068,860	156,852,164	356,991,281	349,864,180
Total Assets	263,179,322	251,380,251	245,633,442	241,975,318	508,812,764	493,355,569
Long-term liabilities	86,849,077	70,237,784	100,687,100	106,213,101	187,536,177	176,450,885
Other liabilities	5,910,484	6,323,835	4,058,718	4,400,381	9,969,202	10,724,216
Total Liabilities	92,759,561	76,561,619	104,745,818	110,613,482	197,505,379	187,175,101
Net Assets:						
Invested in capital assets, net of related debt	138,986,054	143,105,466	114,732,724	114,059,051	253,718,778	257,164,517
Restricted	10,682,272	9,818,516	1,983,542	1,860,132	12,665,814	11,678,648
Unrestricted	20,751,435	21,894,650	24,171,358	15,442,653	44,922,793	37,337,303
Total Net Assets	\$ 170,419,761	\$ 174,818,632	\$ 140,887,624	\$ 131,361,836	\$ 311,307,385	\$ 306,180,468

A portion of the primary government's net assets, \$12,665,814 or four percent represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$44,922,793 or 14 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net assets increased by \$5,126,917 during the current fiscal year including, a decrease of \$4,398,871 in the governmental activities and an increase of \$9,525,788 in the business-type activities. The governmental activities decrease is the result primarily of increased expenses for public safety and public works coupled with a reduction in revenues from grants and contributions. The business-type activities increase is the result of operating revenues related to charges for service exceeding the corresponding water and sewer related expenses.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

Statement of Activities:

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

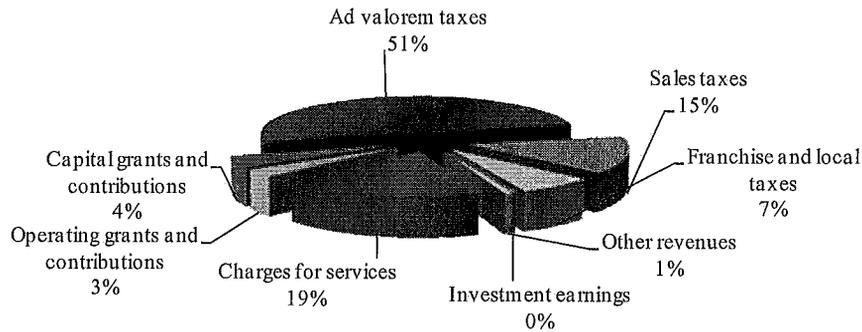
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 12,987,556	\$ 10,366,374	\$ 25,731,620	\$ 27,278,933	\$ 38,719,176	\$ 37,645,307
Operating grants and contributions	2,283,291	4,888,926	131,943	150,107	2,415,234	5,039,033
Capital grants and contributions	3,062,763	6,710,627	4,671,105	7,029,886	7,733,868	13,740,513
General revenues:						
Ad valorem taxes	36,162,871	34,255,809	-	-	36,162,871	34,255,809
Sales taxes	10,359,528	10,938,166	-	-	10,359,528	10,938,166
Franchise and local taxes	4,831,866	4,613,734	-	-	4,831,866	4,613,734
Investment earnings	192,401	406,217	214,491	516,379	406,892	922,596
Other revenues	473,164	746,741	17,807	3,726	490,971	750,467
Total Revenues	70,353,440	72,926,594	30,766,966	34,979,031	101,120,406	107,905,625
Expenses						
General government	13,532,893	16,355,732	-	-	13,532,893	16,355,732
Public safety	21,024,434	16,643,840	-	-	21,024,434	16,643,840
Public works	30,791,382	21,768,197	-	-	30,791,382	21,768,197
Community services	6,855,694	6,871,519	-	-	6,855,694	6,871,519
Interest and fiscal agent fees	3,500,914	2,823,301	-	-	3,500,914	2,823,301
Water and sewer	-	-	20,288,172	18,815,486	20,288,172	18,815,486
Total Expenses	75,705,317	64,462,589	20,288,172	18,815,486	95,993,489	83,278,075
Increase in Net Assets Before Transfers	(5,351,877)	8,464,005	10,478,794	16,163,545	5,126,917	24,627,550
Transfers	953,006	1,000,000	(953,006)	(1,000,000)	-	-
Change in Net Assets	(4,398,871)	9,464,005	9,525,788	15,163,545	5,126,917	24,627,550
Beginning Net Assets	174,818,632	165,354,627	131,361,836	116,198,291	306,180,468	281,552,918
Ending Net Assets	\$ 170,419,761	\$ 174,818,632	\$ 140,887,624	\$ 131,361,836	\$ 311,307,385	\$ 306,180,468

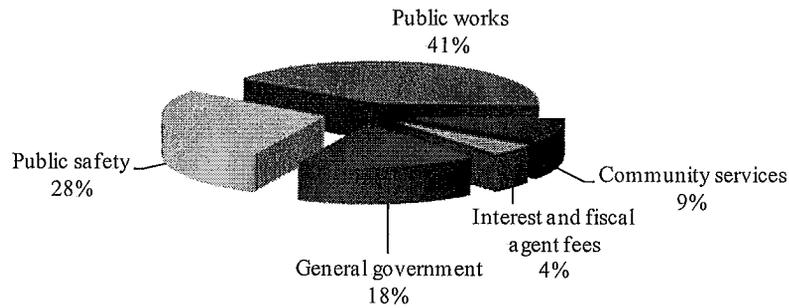
CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

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

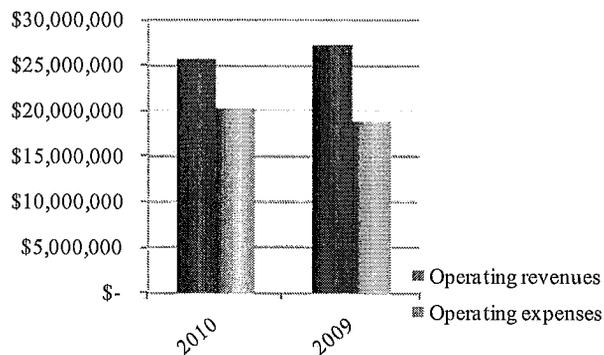
Governmental Activities - Revenues



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, 2010

For the year ended September 30, 2010, revenues from governmental activities totaled \$67,290,677, excluding \$3,062,763 in capital grants and contributions, compared with \$66,215,967 in the prior year, excluding \$6,710,627 in prior year capital grants and contributions. This \$1,074,710 increase occurred as the result of \$1,907,062 in additional property tax revenues, offset by slight decreases in other general revenues.

The \$1,907,062 in additional property tax revenues are primarily due to the \$422 million increase in the certified appraisal roll which resulted in a \$1.6 million increase in the property tax levy. This increase is primarily attributable to new commercial and residential construction.

All of the increase in property taxes was not available to support basic services conducted by City government. The City rebates property taxes to municipal utility districts (MUD) and tax increment reinvestment zones (TIRZ) located inside the City. Such payments remained steady for the year ending September 30, 2010. Total MUD/TIRZ rebates and increments were \$6,581,815 for the period ending September 30, 2010.

Sales taxes were down from the prior year by \$578,638 primarily because of a prior year spike resulting from post-Ike rebuilding estimated to be in excess of \$1 million. This was offset partially by new retail development at the intersection of SH 646 and Interstate 45.

Investment earnings continued to decrease in the current year due to low interest rates available in the markets. Investment earnings were \$213,816 less than the prior year, a decline of 53 percent.

Governmental expenses increased by \$11,242,728. This increase is primarily due to increases in expenses related to public safety and public works of \$4,380,594 and \$9,023,185, respectively, offset by a decrease in general government expenses of \$2,822,839.

Capital grants and contributions declined for both governmental (\$3,647,864) and business-type activities (\$2,358,781) due to fewer donations of infrastructure from developers.

Overall, business-type activity revenues decreased by \$4,212,065 from the prior period, including a \$2,358,781 decline in capital grants due to fewer donations of infrastructure from developers and a decrease in charges for service of \$1,547,313. The latter decrease is due to reduced consumption for the year ended September 30, 2010 after a hard drought in the prior year. Water rates remained constant and the number of customers increased by approximately three 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, unreserved 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 \$60,040,594. Of this, \$2,128,323 is reserved for debt service, \$356,397 for encumbrances, and \$19,347 for prepaid items.

There was an increase in the combined fund balance of \$12,079,513 over the prior year. The general fund balance increased by \$727,226, net of transfers to other funds. The remainder of the increase in governmental

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
For the Year Ended September 30, 2010

fund balances stemmed from the positive net change in fund balance for the nonmajor funds. The debt service fund experienced a fund balance decrease of \$335,575, most of which was the result of an increase in debt service and principal payments.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved, undesignated fund balance of the general fund was \$6,502,281, while total fund balance reached \$21,665,348. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 49 percent of that same amount. At year end, the City's designated operating reserve was \$14,787,323, representing 33 percent of total general fund expenditures. The increase in fund balance can be attributed to under-spending in every department and was distributed among personnel, supply and service account categories.

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 original budget included a planned decrease in fund balance in the amount of \$1,798,605; however, fund balance actually increased by \$727,226. This resulted from actual revenues exceeding the original budget by \$667,562 spread across various revenue lines. Budgeted property tax revenue also exceeded the actual amount by approximately \$487,437, while the remaining lines showed positive budget variances, with the exception of sales tax and investment earnings.

Actual expenditures were under the original budget by \$1,913,331 and under the amended budget by \$2,754,486. 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 2010, the City's governmental activities funds had invested \$193,922,421 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$910,405. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with a net increase in depreciation of \$8,413,162.

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

- Developer contributions of infrastructure in the amount of \$3,062,763
- Eastern Regional Park construction in the amount of \$935,146
- F.M. 518 Bypass project in the amount of \$759,710
- Clear Creek Heights drainage project in the amount of \$756,078

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, 2010

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$182,950,000. Of this amount, \$24,885,000 was general obligation debt, \$83,175,000 was revenue bond debt, \$71,450,000 was certificates of obligation, and contract revenue bonds accounted for the remaining \$3,440,000.

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

The City entered the current year with a recovering but still uncertain economy at the national and local level. While an economic recovery was underway, employment growth had not yet become a part of that recovery. The metropolitan region fared better than the rest of the country throughout the year, stabilizing after losing approximately 100,000 jobs in 2008-2009. Faced with the uncertainty caused by this downturn, the City Council approved a General Fund budget for expenditures that was the same as the year before. Pay increases were limited to step increases for classified personnel under their existing pay plan, and a one-time pay award for all employees scheduled for April 2011 equal to 1% of payroll. City Council adopted property tax rate of \$0.616 per \$100 of taxable value, a 2.4 cent reduction from the previous year. Water rates were held at current levels.

During 2010, enhancements were made to the City's financial planning and reporting to monitor the impact of the economy on major revenues. Sales taxes are being 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. 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 281-554-1031, or for general City information, visit the City's website at www.ci.league-city.tx.us.

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BASIC FINANCIAL STATEMENTS

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and equity in pooled cash	\$ 58,162,851	\$ 12,856,845	\$ 71,019,696	\$ 6,695,669
Investments	4,039,224	9,332,015	13,371,239	-
Receivables, net	6,116,247	3,934,090	10,050,337	348,284
Restricted cash and cash equivalents	-	54,915,645	54,915,645	-
Inventories	9,551	-	9,551	-
Prepaid items	19,347	-	19,347	-
Deferred charges	909,681	1,525,987	2,435,668	-
	69,256,901	82,564,582	151,821,483	7,043,953
Capital assets:				
Non-depreciable	16,523,282	31,814,010	48,337,292	-
Net depreciable capital assets	177,399,139	131,254,850	308,653,989	70,151
	193,922,421	163,068,860	356,991,281	70,151
Total Assets	263,179,322	245,633,442	508,812,764	7,114,104
Liabilities				
Accounts payable and accrued liabilities	5,025,858	2,884,262	7,910,120	333,467
Customer deposits	11,339	625,756	637,095	-
Accrued interest payable	428,141	548,700	976,841	-
Unearned revenue	445,146	-	445,146	-
	5,910,484	4,058,718	9,969,202	333,467
Noncurrent liabilities:				
Long-term liabilities due within one year	8,420,264	6,180,451	14,600,715	-
Long-term liabilities due in more than one year	78,428,813	94,506,649	172,935,462	-
	86,849,077	100,687,100	187,536,177	-
Total Liabilities	92,759,561	104,745,818	197,505,379	333,467
Net Assets				
Invested in capital assets, net of related debt	138,986,054	114,732,724	253,718,778	70,151
Restricted for:				
Debt service	2,057,187	1,983,542	4,040,729	-
Public safety	1,136,905	-	1,136,905	-
Community development	7,488,180	-	7,488,180	-
Unrestricted	20,751,435	24,171,358	44,922,793	6,710,486
Total Net Assets	\$ 170,419,761	\$ 140,887,624	\$ 311,307,385	\$ 6,780,637

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 13,532,893	\$ 3,425,079	\$ -	\$ -
Public safety	21,024,434	730,290	1,624,434	-
Public works	30,791,382	7,565,705	-	3,062,763
Community services	6,855,694	1,266,482	658,857	-
Interest and fiscal agent fees	3,500,914	-	-	-
Total Governmental Activities	<u>75,705,317</u>	<u>12,987,556</u>	<u>2,283,291</u>	<u>3,062,763</u>
Business-Type Activities				
Water and sewer	20,288,172	25,731,620	131,943	4,671,105
Total Business-Type Activities	<u>20,288,172</u>	<u>25,731,620</u>	<u>131,943</u>	<u>4,671,105</u>
Total Primary Government	<u>\$ 95,993,489</u>	<u>\$ 38,719,176</u>	<u>\$ 2,415,234</u>	<u>\$ 7,733,868</u>
Component Units	\$ 1,299,848	\$ -	\$ 12,509	\$ -
Total Component Units	<u>\$ 1,299,848</u>	<u>\$ -</u>	<u>\$ 12,509</u>	<u>\$ -</u>

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
\$ (10,107,814)	\$ -	\$ (10,107,814)	\$ -
(18,669,710)	-	(18,669,710)	-
(20,162,914)	-	(20,162,914)	-
(4,930,355)	-	(4,930,355)	-
(3,500,914)	-	(3,500,914)	-
<u>(57,371,707)</u>	<u>-</u>	<u>(57,371,707)</u>	<u>-</u>
-	10,246,496	10,246,496	-
-	10,246,496	10,246,496	-
<u>(57,371,707)</u>	<u>10,246,496</u>	<u>(47,125,211)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,287,339)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,287,339)</u>
36,162,871	-	36,162,871	-
10,359,528	-	10,359,528	1,706,320
4,831,866	-	4,831,866	276,621
192,401	214,491	406,892	12,137
473,164	17,807	490,971	-
953,006	(953,006)	-	-
<u>52,972,836</u>	<u>(720,708)</u>	<u>52,252,128</u>	<u>1,995,078</u>
(4,398,871)	9,525,788	5,126,917	707,739
<u>174,818,632</u>	<u>131,361,836</u>	<u>306,180,468</u>	<u>6,072,898</u>
<u>\$ 170,419,761</u>	<u>\$ 140,887,624</u>	<u>\$ 311,307,385</u>	<u>\$ 6,780,637</u>

CITY OF LEAGUE CITY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and equity in pooled cash	\$ 17,302,962	\$ 2,284,844	\$ 37,427,659	\$ 57,015,465
Investments	4,039,224	-	-	4,039,224
Receivables, net	5,591,573	342,936	181,738	6,116,247
Due from other funds	46,994	-	-	46,994
Prepaid items	19,347	-	-	19,347
Total Assets	\$ 27,000,100	\$ 2,627,780	\$ 37,609,397	\$ 67,237,277
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 3,485,104	\$ 162,344	\$ 1,299,085	\$ 4,946,533
Customer deposits	11,339	-	-	11,339
Due to other funds	-	-	46,994	46,994
Deferred revenue	1,838,309	337,113	16,395	2,191,817
Total Liabilities	5,334,752	499,457	1,362,474	7,196,683
<u>Fund Balances</u>				
Reserved for:				
Encumbrances	356,397	-	-	356,397
Prepaid items	19,347	-	-	19,347
Debt service	-	2,128,323	-	2,128,323
Unreserved, designated for:				
Operating reserve	14,787,323	-	-	14,787,323
Unreserved and undesignated, reported in:				
General fund	6,502,281	-	-	6,502,281
Special revenue funds	-	-	8,625,122	8,625,122
Capital project funds	-	-	27,621,801	27,621,801
Total Fund Balances	21,665,348	2,128,323	36,246,923	60,040,594
Total Liabilities and Fund Balances	\$ 27,000,100	\$ 2,627,780	\$ 37,609,397	\$ 67,237,277

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, 2010

Total fund balances for governmental funds \$ 60,040,594

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	16,523,282	
Capital assets - depreciable	<u>172,038,050</u>	188,561,332

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

1,746,671

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.

6,438,701

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(428,141)	
Deferred charges	909,681	
Non-current liabilities due in one year	(8,420,264)	
Non-current liabilities due in more than one year	<u>(78,428,813)</u>	<u>(86,367,537)</u>

Net Assets of Governmental Activities

\$ 170,419,761

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, 2010

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 19,584,034	\$ 10,582,854	\$ 5,899,172	\$ 36,066,060
Sales taxes	10,359,528	-	-	10,359,528
Franchise fees	4,614,918	-	-	4,614,918
Other taxes	-	-	216,948	216,948
Special assessments	-	-	2,767,647	2,767,647
Licenses and permits	2,079,481	-	-	2,079,481
Fines and forfeitures	1,844,046	-	1,600,892	3,444,938
Charges for services	4,312,570	-	402,779	4,715,349
Other revenue	187,970	-	285,194	473,164
Investment earnings	74,005	24,068	91,510	189,583
Intergovernmental	1,624,434	-	658,857	2,283,291
Total Revenues	<u>44,680,986</u>	<u>10,606,922</u>	<u>11,922,999</u>	<u>67,210,907</u>
Expenditures				
Current:				
General government	9,461,310	3,579,593	101,572	13,142,475
Public safety	18,580,696	-	1,373,632	19,954,328
Public works	11,629,846	-	15,028,794	26,658,640
Community services	4,630,744	-	943,075	5,573,819
Capital Outlay	-	-	3,073,192	3,073,192
Debt Service:				
Principal	-	4,526,220	1,280,000	5,806,220
Interest and fiscal charges	-	2,836,684	686,036	3,522,720
Total Expenditures	<u>44,302,596</u>	<u>10,942,497</u>	<u>22,486,301</u>	<u>77,731,394</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>378,390</u>	<u>(335,575)</u>	<u>(10,563,302)</u>	<u>(10,520,487)</u>
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	21,600,000	21,600,000
Transfers in	1,024,349	-	675,513	1,699,862
Transfers (out)	(675,513)	-	(24,349)	(699,862)
Total Other Financing Sources (Uses)	<u>348,836</u>	<u>-</u>	<u>22,251,164</u>	<u>22,600,000</u>
Net Change in Fund Balances	727,226	(335,575)	11,687,862	12,079,513
Beginning Fund Balances	20,938,122	2,463,898	24,559,061	47,961,081
Ending Fund Balances	<u>\$ 21,665,348</u>	<u>\$ 2,128,323</u>	<u>\$ 36,246,923</u>	<u>\$ 60,040,594</u>

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, 2010

Net changes in fund balances - total governmental funds \$ 12,079,513

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	(7,875,879)
Capital outlay	4,833,682

Capital contributions by outside entities are not recorded in governmental funds as the contributions do not represent current financial resources.	3,062,763
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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.	76,952
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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	(21,600,000)
Principal repayments	5,806,220
Amortization of deferred charges	92,942
Accrued interest	(71,136)
Compensated absences	(217,779)
Net other post employment benefits obligation	(107,938)
Net pension obligation	(482,882)

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>4,671</u>
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Change in Net Assets of Governmental Activities \$ (4,398,871)

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2010

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service Fund
<u>Assets</u>		
Current assets:		
Cash and equity in pooled cash	\$ 12,856,845	\$ 1,147,386
Investments	9,332,015	-
Receivables, net	3,934,090	-
Inventories	-	9,551
Restricted cash and cash equivalents:		
Customer deposits	625,756	-
Capital projects	51,757,647	-
Debt service	2,532,242	-
Total Current Assets	81,038,595	1,156,937
Noncurrent assets:		
Deferred charges	1,525,987	-
Capital assets:		
Non-depreciable	31,814,010	-
Net depreciable capital assets	131,254,850	5,361,089
Total Capital Assets, Net of Accumulated Depreciation	163,068,860	5,361,089
Total Noncurrent Assets	164,594,847	5,361,089
Total Assets	245,633,442	6,518,026
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	2,884,262	79,325
Accrued interest	548,700	-
Customer deposits	625,756	-
Compensated absences	373,610	-
Bonds, notes, and loans payable	5,806,841	-
Total Current Liabilities	10,239,169	79,325
Noncurrent liabilities:		
Compensated absences	41,511	-
Net other post employment benefits obligation	52,255	-
Net pension obligation	125,941	-
Bonds, notes, and loans payable	94,286,942	-
Total Noncurrent Liabilities	94,506,649	-
Total Liabilities	104,745,818	79,325
<u>Net Assets</u>		
Invested in capital assets, net of related debt	114,732,724	5,361,089
Restricted for debt service	1,983,542	-
Unrestricted	24,171,358	1,077,612
Total Net Assets	\$ 140,887,624	\$ 6,438,701

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, 2010

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service Fund
<u>Operating Revenues</u>		
Charges for services	\$ 25,731,620	\$ 2,188,417
Other	-	9,150
Total Operating Revenues	25,731,620	2,197,567
<u>Operating Expenses</u>		
Personnel	5,216,754	611,560
Contractual services	3,595,665	10,023
Utilities	1,352,897	-
Repairs and maintenance	1,150,787	511,577
Other supplies and expenses	1,025,589	59,859
Depreciation	3,401,471	984,307
Total Operating Expenses	15,743,163	2,177,326
Operating Income	9,988,457	20,241
<u>Nonoperating Revenues (Expenses)</u>		
Investment earnings	214,491	2,818
Interest expense	(4,545,009)	-
Intergovernmental	131,943	-
Gain (loss) on disposal of capital assets	17,807	(18,388)
Total Nonoperating (Expenses)	(4,180,768)	(15,570)
Income Before Contributions and Transfers	5,807,689	4,671
Capital contributions	4,718,099	-
Transfers (out)	(1,000,000)	-
Change in Net Assets	9,525,788	4,671
Beginning Net Assets	131,361,836	6,434,030
Ending Net Assets	\$ 140,887,624	\$ 6,438,701

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, 2010

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 25,973,875	\$ 2,197,567
Payments to suppliers	(7,455,548)	(565,007)
Payments to employees	(5,137,077)	(611,560)
Net Cash Provided by Operating Activities	13,381,250	1,021,000
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers (out) to other funds	(1,000,000)	-
Intergovernmental revenue	131,943	-
Net Cash (Used) by Noncapital Financing Activities	(868,057)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal payments on debt	(5,648,780)	-
Acquisition and construction of capital assets	(7,484,459)	(1,873,368)
Capital recovery fees	2,762,532	-
Interest paid on debt	(4,545,009)	-
Proceeds from sale of capital assets	17,807	(18,388)
Net Cash (Used) by Capital and Related Financing Activities	(14,897,909)	(1,891,756)
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales and maturities of investments	31,882,576	-
Purchase of investments	(15,963,995)	-
Interest on investments	214,491	2,818
Net Cash Provided by Investing Activities	16,133,072	2,818
Net Increase (Decrease) in Cash and Equivalents	13,748,356	(867,938)
Beginning Cash and Cash Equivalents	54,024,134	2,015,324
Ending Cash and Cash Equivalents	\$ 67,772,490	\$ 1,147,386
Unrestricted Cash and Cash Equivalents	\$ 12,856,845	\$ 1,147,386
Restricted Cash and Cash Equivalents	54,915,645	-
Total Cash and Cash Equivalents	\$ 67,772,490	\$ 1,147,386

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2010

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service Fund
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 9,988,457	\$ 20,241
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,401,471	984,307
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	269,216	-
Inventories	-	(389)
Due from other funds	-	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(314,701)	18,781
Compensated absences	(19,128)	-
Customer deposits	(26,961)	-
Net other post employment benefit obligation	21,180	-
Net pension obligation	77,625	-
Due to other funds	(15,909)	(1,940)
Net Cash Provided by Operating Activities	\$ 13,381,250	\$ 1,021,000
Noncash capital activities:		
Capital assets contributed during the year	\$ 1,908,573	\$ -

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET ASSETS

DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2010

	<u>4B Economic Development Corporation</u>	<u>Destination League City</u>	<u>Economic Development Corporation</u>	<u>Volunteer Fire Department</u>
<u>Assets</u>				
Current Assets:				
Cash and equity in pooled cash	\$ 6,250,333	\$ 403,983	\$ -	\$ 41,353
Receivables, net	291,857	56,427	-	-
Total Current Assets	<u>6,542,190</u>	<u>460,410</u>	<u>-</u>	<u>41,353</u>
Noncurrent Assets:				
Capital assets:				
Net depreciable capital assets	-	-	-	70,151
Total Capital Assets, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,151</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,151</u>
Total Assets	<u>6,542,190</u>	<u>460,410</u>	<u>-</u>	<u>111,504</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable and accrued liabilities	324,820	8,647	-	-
Total Liabilities	<u>324,820</u>	<u>8,647</u>	<u>-</u>	<u>-</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	-	-	-	70,151
Unrestricted	6,217,370	451,763	-	41,353
Total Net Assets	<u>\$ 6,217,370</u>	<u>\$ 451,763</u>	<u>\$ -</u>	<u>\$ 111,504</u>

See Notes to Financial Statements.

**Total
Discretely
Presented
Component Units**

\$ 6,695,669
348,284

7,043,953

70,151

70,151

70,151

7,114,104

333,467

333,467

70,151
6,710,486

\$ 6,780,637

CITY OF LEAGUE CITY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2010

<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	\$ 1,018,070	\$ -	\$ -
Destination League City	266,133	-	-
Economic Development Corporation	3,945	-	-
Volunteer Fire Department	11,700	-	12,509
Total Component Units	<u>\$ 1,299,848</u>	<u>\$ -</u>	<u>\$ 12,509</u>

General Revenues:

Sales taxes
Franchise and local taxes
Investment earnings
Total General Revenues

Change in Net Assets

Beginning Net Assets

Ending Net Assets

Net (Expense) Revenue and Changes in Net Assets

4B Economic Development Corporation	Destination League City	Economic Development Corporation	Volunteer Fire Department	Total
\$ (1,018,070)	\$ -	\$ -	\$ -	\$ (1,018,070)
-	(266,133)	-	-	(266,133)
-	-	(3,945)	-	(3,945)
-	-	-	809	809
<u>(1,018,070)</u>	<u>(266,133)</u>	<u>(3,945)</u>	<u>809</u>	<u>(1,287,339)</u>
1,706,320	-	-	-	1,706,320
-	276,621	-	-	276,621
11,378	757	2	-	12,137
<u>1,717,698</u>	<u>277,378</u>	<u>2</u>	<u>-</u>	<u>1,995,078</u>
699,628	11,245	(3,943)	809	707,739
5,517,742	440,518	3,943	110,695	6,072,898
<u>\$ 6,217,370</u>	<u>\$ 451,763</u>	<u>\$ -</u>	<u>\$ 111,504</u>	<u>\$ 6,780,637</u>

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CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2010

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 adopting 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, 2010

Discretely Presented Component Units

Major Component Units

Destination League City Convention and Visitors Corporation

The Destination League City Convention and Visitors Corporation (the "Corporation") was created to manage and supervise the programs and activities with revenue from a hotel occupancy tax received by the City. The tax revenues are limited to promote tourism and the convention and hotel industry as defined in Subchapter B of Chapter 351 of the Tax Code (paragraph 351.101 and 351.103 of Vernon's Texas Civil Statutes). The majority of the members of the governing Board are appointed by City Council. One member of the City Council also serves as an ex-officio member of the Board. Operating and capital budgets must be approved each year by City Council.

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.

City of League City Economic Development Corporation

The members of the governing board are appointed by the City Council and operational and capital budgets are approved by the Council as well. Bonds were authorized by City Council to finance a commercial project within or adjacent to eligible blighted areas (EBA). The Economic Development revenue bonds have not been issued. On March 9, 2010, City Council authorized the dissolution of the City of League City Economic Development Corporation. The remaining assets of the Corporation were transferred to the City's General Fund.

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.

Blended Component Units

City of League City Tax Increment Reinvestment Zone (TIRZ) No. One – Magnolia Creek

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 development of a master planned community and golf course 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. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ

CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2010

is responsible for reimbursing the developer for the infrastructure costs. On August 14, 2010, City Council approved an ordinance terminating Reinvestment Zone Number One. Developers have been fully reimbursed for infrastructure costs within the TIRZ area. The remaining assets of \$2.4 million will be used to complete certain infrastructure improvements within the reinvestment zone. The TIRZ Board will continue to oversee the operations of the Public Improvement District.

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

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 two remaining board members are appointed by Clear Creek Independent School District (CCISD) and 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

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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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. 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 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 17 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. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

- Financial statements prepared using full accrual accounting for all of the City’s activities.
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** — This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** — This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** — This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. 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.

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:

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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.

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.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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. This fund is also used to account for systematic transfers of funds from general governmental and enterprise funds to accumulate, invest, purchase, and maintain capital assets.

D. Measurement Focus and Basis of Accounting

The government-wide Statements of Net Assets and Statements of Activities and all proprietary 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. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. 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. Revenues susceptible to accrual include charges for services and interest on temporary investments.

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.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The Statements of Net Assets, Statements of Activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned and expenses in the accounting period in which they are incurred.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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

E. 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.

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."

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Advances between funds are offset by a fund balance reserve 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 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.

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.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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 (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.

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.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, and Public Improvement District No. Five. 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,

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2010.

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.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash (including money market)	\$ 82,406	0.00
U.S. agencies	7,331,634	10.34
Certificates of deposit	6,211,213	16.97
External investment pools:		
TexPool	86,813,832	0.63
TexStar	36,427,203	0.27
Total fair value	<u>\$ 136,866,288</u>	
Portfolio weighted average maturity		28.21

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, 2010, 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, 2010 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, 2010, 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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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 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	\$ 954,955	\$ 531,016	\$ -	\$ -	\$ 1,485,971
Other taxes	3,136,679	-	56,427	-	3,193,106
Accounts	3,035,065	-	16,395	3,993,929	7,045,389
Intergovernmental	612,489	-	60,812	-	673,301
Other	238,701	-	48,104	-	286,805
Less allowance	(2,386,316)	(188,080)	-	(59,839)	(2,634,235)
	<u>\$ 5,591,573</u>	<u>\$ 342,936</u>	<u>\$ 181,738</u>	<u>\$ 3,934,090</u>	<u>\$ 10,050,337</u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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	\$ -	\$ -	\$ 11,857,765
Construction in progress	2,064,526	3,551,572	(950,581)	4,665,517
Total capital assets not being depreciated	13,922,291	3,551,572	(950,581)	16,523,282
Other capital assets:				
Infrastructure	267,597,470	4,700,697	-	272,298,167
Buildings and improvements	34,814,392	-	-	34,814,392
Machinery and equipment	21,584,466	2,677,201	(655,322)	23,606,345
Total other capital assets	323,996,328	7,377,898	(655,322)	330,718,904
Less accumulated depreciation for:				
Infrastructure	(118,045,527)	(5,382,945)	-	(123,428,472)
Buildings and improvements	(13,511,692)	(1,752,948)	-	(15,264,640)
Machinery and equipment	(13,349,384)	(1,829,968)	552,699	(14,626,653)
Total accumulated depreciation	(144,906,603)	(8,965,861)	552,699	(153,319,765)
Other capital assets, net	179,089,725	(1,587,963)	(102,623)	177,399,139
Totals	\$ 193,012,016	\$ 1,963,609	\$ (1,053,204)	193,922,421
			Less associated debt	(82,558,168)
			Plus unspent proceeds	27,621,801
			Invested in Capital Assets, Net of Related Debt	\$ 138,986,054

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:

Public safety	\$ 957,752
Public works	5,394,469
Community services	1,568,077
Internal service fund	984,307
Total Governmental Activities Depreciation Expense	\$ 8,965,861

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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>
Clear Creek Heights Drainage	\$ 1,220,876	\$ 973,640	\$ 247,236
FM518 Bypass	1,367,757	1,222,881	144,876
Eastern Regional Park	1,370,773	976,509	394,264
Coryell-270 to Wisconsin	1,904,425	305,800	1,598,625
Austin-LA to FM270	248,721	169,364	79,357
Houston Avenue	419,470	246,413	173,057
Park Avenue Sidewalk	60,111	39,666	20,445
2009 Storm Sewer Rehabilitation	514,340	425,665	88,675
	<u>\$ 7,106,473</u>	<u>\$ 4,359,938</u>	<u>\$ 2,746,535</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 791,721	\$ 182,397	\$ -	\$ 974,118
Construction in progress	24,007,525	7,057,503	(225,136)	30,839,892
Total capital assets not being depreciated	<u>24,799,246</u>	<u>7,239,900</u>	<u>(225,136)</u>	<u>31,814,010</u>
Other capital assets:				
Infrastructure	144,438,641	2,196,781	225,136	146,860,558
Water rights	14,528,975	-	-	14,528,975
Buildings and improvements	648,991	-	-	648,991
Machinery and equipment	4,402,829	181,486	(79,736)	4,504,579
Total other capital assets	<u>164,019,436</u>	<u>2,378,267</u>	<u>145,400</u>	<u>166,543,103</u>
Less accumulated depreciation for:				
Infrastructure	(25,620,356)	(2,909,022)	81,420	(28,447,958)
Water rights	(2,411,665)	(298,661)	-	(2,710,326)
Buildings and improvements	(244,841)	(35,587)	-	(280,428)
Machinery and equipment	(3,689,656)	(158,201)	(1,684)	(3,849,541)
Total accumulated depreciation	<u>(31,966,518)</u>	<u>(3,401,471)</u>	<u>79,736</u>	<u>(35,288,253)</u>
Other capital assets, net	<u>132,052,918</u>	<u>(1,023,204)</u>	<u>225,136</u>	<u>131,254,850</u>
Totals	<u>\$ 156,852,164</u>	<u>\$ 6,216,696</u>	<u>\$ -</u>	<u>163,068,860</u>

	Less associated debt	(100,093,783)
	Plus unspent proceeds	<u>51,757,647</u>

Invested in Capital Assets, Net of Related Debt \$ 114,732,724

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 3,401,471
Total Business-Type Activities Depreciation Expense	\$ 3,401,471

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

Business-Type Activities:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Southwest WWTP	\$ 1,468,280	\$ 1,468,275	\$ 5
DSWWTP 4.5 MGD Expansion	25,314,335	25,306,189	8,146
North Service Area	371,000	299,772	71,228
FW11 LS Upgrade	220,000	11,800	208,200
Magnolia Creek South FM Diversion	180,950	9,700	171,250
Butler Road LS & FM	250,184	136,041	114,143
West Main LS/FM	192,008	103,066	88,942
30" Waterline, West Side	236,000	108,761	127,239
Beamer Road Waterline Extension	335,000	294,500	40,500
Northside Water Booster	280,000	209,000	71,000
2005 Sanitary Sewer Rehabilitation	2,936,911	2,610,008	326,903
Total	\$ 31,784,668	\$ 30,557,112	\$ 1,227,556

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

	Component Unit			
	Beginning Balance	Increases	Reclassifications/ (Decreases)	Ending Balance
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	(100,695)	(2,077)	-	(102,772)
Machinery and equipment	(42,964)	(4,126)	-	(47,090)
Total accumulated depreciation	(143,659)	(6,203)	-	(149,862)
Other capital assets, net	35,274	(6,203)	-	29,071
Total	\$ 76,354	\$ (6,203)	\$ -	\$ 70,151

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 13,189,971	\$ -	\$ 2,026,221	\$ 11,163,750 *	\$ 2,003,159
Certificates of obligation	53,630,000	21,600,000	3,780,000	71,450,000 *	3,490,000
Unamortized debt items	(64,497)	3,992	4,923	(55,582) *	-
	<u>66,755,474</u>	<u>21,603,992</u>	<u>5,811,144</u>	<u>82,558,168</u>	<u>5,493,159</u>
Other liabilities:					
Compensated absences	3,034,560	2,948,886	2,731,107	3,252,339	2,927,105
Net OPEB obligation	147,187	107,938	-	255,125	-
Net pension obligation	300,563	482,882	-	783,445	-
	<u>300,563</u>	<u>482,882</u>	<u>-</u>	<u>783,445</u>	<u>-</u>
Total Governmental Activities	<u>\$ 70,237,784</u>	<u>\$ 25,143,698</u>	<u>\$ 8,542,251</u>	<u>\$ 86,849,077</u>	<u>\$ 8,420,264</u>
				<u>\$ 78,428,813</u>	
Business-Type Activities:					
Revenue bonds	\$ 84,540,000	\$ -	\$ 1,365,000	\$ 83,175,000 **	\$ 1,380,000
General obligation bonds	17,405,030	-	3,683,780	13,721,250 **	3,796,841
Contract revenue bonds	4,040,000	-	600,000	3,440,000 **	630,000
(Less) unamortized premiums, and discounts	(285,569)	-	(43,102)	(242,467) **	-
	<u>\$ 105,699,461</u>	<u>\$ -</u>	<u>\$ 5,605,678</u>	<u>\$ 100,093,783</u>	<u>\$ 5,806,841</u>
Other liabilities:					
Compensated absences	434,249	371,696	390,824	415,121	373,610
Net OPEB obligation	31,075	21,180	-	52,255	-
Net pension obligation	48,316	77,625	-	125,941	-
	<u>48,316</u>	<u>77,625</u>	<u>-</u>	<u>125,941</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 106,213,101</u>	<u>\$ 470,501</u>	<u>\$ 5,996,502</u>	<u>\$ 100,687,100</u>	<u>\$ 6,180,451</u>
				<u>\$ 94,506,649</u>	
* Debt associated with governmental activity capital assets				<u>\$ 82,558,168</u>	
** Debt associated with business-type activity capital assets				<u>\$ 100,093,783</u>	

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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%	\$ 1,491,133
2003 General Obligation Refunding Bonds	\$ 9,350,320	2.00% to 4.00%	6,579,922
2007 General Obligation Refunding Bonds	\$ 5,211,280	4.00% to 4.12%	3,092,695
	Total General Obligation Bonds		11,163,750
Certificates of Obligation			
2003A Tax and Revenue Certificates of Obligation	\$ 7,500,000	2.00% to 4.25%	5,415,000
2003B Tax and Revenue Certificates of Obligation	\$ 10,350,000	2.00% to 4.25%	10,195,000
2003C Tax and Revenue Certificates of Obligation	\$ 3,135,000	1.50% to 4.00%	1,560,000
2004A Tax and Revenue Certificates of Obligation	\$ 5,070,000	3.00% to 5.00%	4,270,000
2004B Tax and Revenue Certificates of Obligation	\$ 4,675,000	3.60% to 4.38%	4,650,000
2005A Tax and Revenue Certificates of Obligation	\$ 500,000	4.00% to 4.50%	6,285,000
2006A Tax and Revenue Certificates of Obligation	\$ 4,695,000	4.15% to 6.00%	4,095,000
2008 Tax and Revenue Certificates of Obligation	\$ 15,500,000	4.00% to 5.00%	15,025,000
2009 Tax and Revenue Certificates of Obligation	\$ 11,600,000	3.13% to 5.13%	10,800,000
2010 Tax and Revenue Certificates of Obligation	\$ 10,000,000	3.13% to 5.13%	9,155,000
	Total Certificates of Obligation		71,450,000
	Total Governmental Activities Long-Term Debt		\$ 82,613,750

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%	\$ 2,580,000
2004 Water Works & Sewer System Revenue Bonds	\$ 12,790,000	3.00% to 4.50%	10,555,000
2005 Water Works & Sewer System Revenue Refunding Bonds	\$ 8,170,000	3.87% to 3.87%	6,065,000
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
	Total Revenue Bonds		83,175,000
General Obligation Bonds			
2002 General Obligation Refunding Bonds	\$ 4,749,330	3.25% to 4.75%	1,503,867
2003 General Obligation Refunding Bonds	\$ 1,969,680	2.00% to 4.00%	1,440,078
2007 Water Works & Sewer System Revenue Refunding Bonds	\$ 16,303,720	4.00% to 4.12%	10,777,305
	Total General Obligation Bonds		13,721,250
Contract Revenue Bonds			
1999B GCWA Contract Revenue Refunding Bonds	\$ 4,700,000	3.50% to 5.00%	915,000
2001 GCWA Contract Revenue Refunding Bonds	\$ 4,150,000	3.00% to 4.90%	2,525,000
	Total Contract Revenue Bonds		3,440,000
	Total Business Type Activities Long-Term Debt		\$ 100,336,250

CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2010

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
2011	\$ 2,003,159	\$ 394,106	\$ 2,397,265	\$ 3,796,841	\$ 477,682	\$ 4,274,523
2012	2,045,095	314,859	2,359,954	3,944,905	318,253	4,263,158
2013	1,864,934	237,281	2,102,215	2,145,066	194,522	2,339,588
2014	1,718,572	165,107	1,883,679	696,428	138,136	834,564
2015	742,497	117,869	860,366	517,503	114,365	631,868
2016	553,796	95,648	649,444	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	562,001	33,720	595,721	542,999	33,987	576,986
2020	562,000	11,240	573,240	557,999	11,432	569,431
Total	\$ 11,163,750	\$ 1,501,169	\$ 12,664,919	\$ 13,721,250	\$ 1,514,361	\$ 15,235,611

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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

Year Ending	<u>Business-Type Activities</u>			
	<u>Sep 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	1,380,000	\$ 3,549,816	\$ 4,929,816
2012		1,395,000	3,491,151	4,886,151
2013		3,210,000	3,398,312	6,608,312
2014		5,350,000	3,233,356	8,583,356
2015		5,225,000	3,034,580	8,259,580
2016		4,930,000	2,844,075	7,774,075
2017		4,590,000	2,661,808	7,251,808
2018		4,440,000	2,485,206	6,925,206
2019		4,280,000	2,310,570	6,590,570
2020		4,125,000	2,139,089	6,264,089
2021		4,540,000	1,959,143	6,499,143
2022		4,390,000	1,771,271	6,161,271
2023		4,235,000	1,587,884	5,822,884
2024		4,080,000	1,407,796	5,487,796
2025		3,920,000	1,228,343	5,148,343
2026		3,755,000	1,048,677	4,803,677
2027		3,590,000	873,120	4,463,120
2028		3,420,000	701,500	4,121,500
2029		1,910,000	568,250	2,478,250
2030		1,965,000	471,375	2,436,375
2031		2,020,000	371,750	2,391,750
2032		2,080,000	269,393	2,349,393
2033		2,140,000	163,750	2,303,750
2034		2,205,000	55,125	2,260,125
Total	\$	83,175,000	\$ 41,625,340	\$ 124,800,340

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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

Governmental Activities			
Year Ending	Principal	Interest	Total
Sep 30			
2011	\$ 3,490,000	\$ 2,869,691	\$ 6,359,691
2012	3,575,000	2,738,216	6,313,216
2013	3,660,000	2,601,763	6,261,763
2014	3,410,000	2,458,869	5,868,869
2015	3,515,000	2,326,492	5,841,492
2016	3,625,000	2,197,513	5,822,513
2017	3,750,000	2,062,224	5,812,224
2018	3,885,000	1,918,569	5,803,569
2019	4,015,000	1,764,711	5,779,711
2020	4,170,000	1,602,286	5,772,286
2021	4,320,000	1,430,282	5,750,282
2022	4,490,000	1,247,443	5,737,443
2023	4,655,000	1,055,298	5,710,298
2024	4,305,000	860,397	5,165,397
2025	3,145,000	668,016	3,813,016
2026	2,675,000	538,801	3,213,801
2027	2,410,000	425,286	2,835,286
2028	2,500,000	215,348	2,715,348
2029	2,370,000	205,775	2,575,775
2030	1,230,000	125,563	1,355,563
2031	720,000	82,906	802,906
2032	750,000	50,750	800,750
2033	785,000	17,172	802,172
Total	\$ 71,450,000	\$ 29,463,371	\$ 100,913,371

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

Business-Type Activities			
Year Ending	Principal	Interest	Total
Sep 30			
2011	\$ 630,000	\$ 159,435	\$ 789,435
2012	660,000	130,452	790,452
2013	200,000	99,115	299,115
2014	210,000	90,715	300,715
2015	215,000	81,685	296,685
2016	225,000	72,225	297,225
2017	235,000	62,100	297,100
2018	250,000	51,290	301,290
2019	260,000	39,540	299,540
2020	270,000	27,060	297,060
2021	285,000	13,965	298,965
Total	\$ 3,440,000	\$ 827,582	\$ 4,267,582

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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:

Transfer Out	Transfer In	Amounts
General Fund	Nonmajor Governmental Funds	\$ 675,513
Nonmajor Governmental Funds	General Fund	24,349
Water and Wastewater Fund	General Fund	1,000,000
		\$ 1,699,862

The general fund made transfers to nonmajor governmental funds to provide financing for the right of way fund and for miscellaneous capital projects. Nonmajor funds made transfers to the general fund to finance economic development and to reimburse for communication equipment purchased for the Public Access Channel Fund. The water and wastewater fund provided monies to the general fund for reimbursement of administrative charges.

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year. The compositions of interfund balances as of year end were as follows:

Receivable fund	Payable fund	Amounts
General fund	Nonmajor funds	\$ 46,994

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

F. Fund Equity

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditure. Reservations as of year end were as follows.

General Fund		
Reserved for encumbrances	\$	356,397
Reserved for prepaid items	\$	19,347
Debt Service Fund		
Reserved for debt service	\$	2,128,323

As of September 30, 2010, \$289,586 of net assets is restricted by enabling legislation.

G. Restricted Assets

As of September 30, 2010, the City held restricted cash and investments in the water and wastewater fund for the following purposes:

Restricted for:		
Customer deposits	\$	625,756
Capital projects		51,757,647
Debt service		2,532,242
Total	\$	<u>54,289,889</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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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.

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), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system.

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on 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>2010</u>	<u>2009</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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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 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, 2008 valuation is effective for rates beginning January 2010). The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 3,793,490
Interest on Net Pension Obligation (NPO)	24,422
Adjustment to the ARC	<u>(21,303)</u>
Annual Pension Cost (APC)	3,796,609
Contributions made	<u>(3,236,102)</u>
Increase in net pension obligation	560,507
Net pension obligation-beginning of year	<u>348,879</u>
Net pension obligation-end of year	<u><u>\$ 909,386</u></u>

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

<u>Fiscal year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 2,394,236	\$ 2,394,236	100.00%	\$ -
2009	\$ 3,286,271	\$ 2,937,392	89.38%	\$ 348,879
2010	\$ 3,796,609	\$ 3,236,102	85.24%	\$ 909,386

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarial Valuation Date	12/31/2009	12/31/2008	12/31/2007
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	28 Years - Closed period	29 Years - Closed period	30 Years - Closed period
Asset Valuation Method	10-year Smoothed Market	Amortized cost	Amortized cost
Investment Rate of Return	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2010, the most recent valuation date, is as follows:

	<u>2010</u>
Actuarial Valuation Date	12/31/2009
Actuarial Value of Assets	\$ 41,885,807
Actuarial Accrued Liability	\$ 62,670,192
Percentage Funded	66.8%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 20,784,385
Annual Covered Payroll	\$ 22,877,988
UAAL as a Percentage of Covered Payroll	92.6%

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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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

	<u>2010</u>	<u>2009</u>	<u>2008</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%

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.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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 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)	\$	223,813
Interest on OPEB Obligation		7,400
Adjustments to ARC		(6,856)
End of Year Annual OPEB Cost (Expense)		224,357
Net Estimated Employer Contributions		(81,411)
Increase in Net OPEB Obligation		129,118
Net OPEB Obligation (Asset)-beginning of year		178,262
Net OPEB Obligation (Asset)-end of year	\$	307,380

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years are as follows:

<u>Fiscal year</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	
			<u>Beginning</u>	<u>Ending</u>
2008	\$ N/A	N/A	\$ N/A	\$ N/A
2009*	\$ 217,294	17.96%	\$ -	\$ 178,262
2010	\$ 224,357	36.29%	\$ 178,262	\$ 307,380

* 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 0.00 percent funded. The actuarial accrued liability for benefits was \$2,082,379, and the actuarial value of assets was \$0, 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 91 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.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

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.

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.

CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2010

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.

F. Restatement of Beginning Net Assets

Beginning net assets for governmental and business-type activities have been restated to account for the recording of a net pension obligation.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Prior year ending net assets as reported	\$ 175,119,195	\$ 131,410,152
Pension obligation	<u>(300,563)</u>	<u>(48,316)</u>
New beginning net assets	<u>\$ 174,818,632</u>	<u>\$ 131,361,836</u>

G. Subsequent Event

Issuance of New Debt

Subsequent to September 30, 2010, the City authorized the issuance of two bond series. On January 11, 2011, the City approved the issuance of City of League City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2011 in the amount of \$20,390,000. The issuance of this debt is split into two parts. The City will use \$11,460,000 to fund general fund projects including the renovation, improvement and equipping of City Hall, construction and improvement of drainage facilities, miscellaneous improvement for internal streets and roads, and acquisition of firefighting equipment and facilities. The balance of the issuance, \$8,930,000, is to fund the 4B Corporation's East Regional Park project. Also on January 11, 2011, the City approved the issuance of City of League City, Texas, Waterworks and Sewer System Revenue Bonds, Series 2011 in the amount of \$13,040,000 to fund improvements and extensions to the system.

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
Revenues				
Ad valorem taxes	\$ 19,096,597	\$ 19,096,597	\$ 19,584,034	\$ 487,437
Sales taxes	11,933,600	11,933,600	10,359,528	(1,574,072)
Franchise fees	4,340,000	4,340,000	4,614,918	274,918
Licenses and permits	1,944,260	1,944,260	2,079,481	135,221
Fines and forfeitures	1,420,000	1,420,000	1,844,046	424,046
Charges for services	3,899,050	3,899,050	4,312,570	413,520
Other	220,785	224,730	187,970	(36,760)
Investment earnings	200,000	200,000	74,005	(125,995)
Intergovernmental	863,030	955,187	1,624,434	669,247
Total Revenues	43,917,322	44,013,424	44,680,986	667,562
Expenditures				
Current:				
General government:				
Economic development	417,237	427,437	319,945	107,492
Budget office	443,613	443,212	442,813	399
City secretary	387,334	387,020	335,647	51,373
City manager	730,263	729,641	643,244	86,397
Information technology	1,348,060	1,362,608	1,261,533	101,075
City attorney	550,000	550,000	494,483	55,517
Accounting	1,150,358	1,162,635	1,141,469	21,166
Mayor and City council	221,691	221,608	142,263	79,345
Civil service	64,985	94,985	79,136	15,849
Municipal court	543,609	593,550	579,807	13,743
Human resources	1,045,241	1,120,754	1,034,134	86,620
Facilities maintenance	1,881,789	2,001,425	1,881,504	119,921
Purchasing	313,057	312,798	270,796	42,002
Non-departmental	897,025	1,102,689	834,536	268,153
Total General Government	9,994,262	10,510,362	9,461,310	1,049,052
Public safety:				
Emergency management	345,418	344,480	276,139	68,341
Police	14,528,364	14,595,324	14,382,148	213,176
Animal control	554,030	551,690	548,695	2,995
Fire marshal	468,150	474,887	455,896	18,991
Fire	903,145	938,107	817,687	120,420
EMS	2,169,606	2,150,129	2,071,840	78,289
Drill field	53,200	53,200	28,291	24,909
Total Public Safety	19,021,913	19,107,817	18,580,696	527,121

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
Public works:				
Building and code enforcement	\$ 1,408,138	\$ 1,403,478	\$ 1,342,335	\$ 61,143
Public works administration	2,861,533	2,861,425	2,848,339	13,086
Engineering	2,225,947	2,044,176	1,627,187	416,989
Street and storm water	4,174,002	4,505,456	4,390,154	115,302
Planning	1,567,521	1,566,009	1,421,831	144,178
Total Public Works	<u>12,237,141</u>	<u>12,380,544</u>	<u>11,629,846</u>	<u>750,698</u>
Community services:				
Library	2,170,221	2,203,097	2,097,954	105,143
Parks recreation	672,043	676,346	628,318	48,028
Butler Museum	230,129	139,717	86,863	52,854
Sportsplex operations	388,104	386,206	355,054	31,152
Sportsplex administration	213,488	212,803	144,486	68,317
Parks planning	251,219	292,681	291,931	750
Parks operation	1,037,407	1,147,509	1,026,138	121,371
Total Community Services	<u>4,962,611</u>	<u>5,058,359</u>	<u>4,630,744</u>	<u>427,615</u>
Total Expenditures	<u>46,215,927</u>	<u>47,057,082</u>	<u>44,302,596</u>	<u>2,754,486</u>
Revenues Over (Under) Expenditures	<u>(2,298,605)</u>	<u>(3,043,658)</u>	<u>378,390</u>	<u>3,422,048</u>
Other Financing Sources (Uses)				
Transfers in	1,000,000	1,024,349	1,024,349	-
Transfers (out)	(500,000)	(675,513)	(675,513)	-
Total Other Financing Sources	<u>500,000</u>	<u>348,836</u>	<u>348,836</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	<u>\$ (1,798,605)</u>	<u>\$ (2,694,822)</u>	<u>727,226</u>	<u>\$ 3,422,048</u>
Beginning Fund Balance			<u>20,938,122</u>	
Ending Fund Balance			<u>\$ 21,665,348</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial Valuation Date	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009
Actuarial Value of Assets	\$ 29,040,884	\$ 31,793,502	\$ 35,213,486	\$ 36,909,728	\$ 41,885,807
Actuarial Accrued Liability	\$ 37,313,128	\$ 41,368,317	\$ 53,592,876	\$ 56,927,669	\$ 62,670,192
Percentage Funded	77.8%	76.9%	65.7%	64.8%	66.8%
Unfunded Actuarial					
Accrued Liability	\$ 8,272,244	\$ 9,574,815	\$ 18,379,390	\$ 20,017,941	\$ 20,784,385
Annual Covered Payroll	\$ 16,050,695	\$ 17,160,925	\$ 18,330,451	\$ 21,029,242	\$ 22,877,988
Unfunded Actuarial Accrued Liability					
(UAAL) % of Covered Payroll	51.5%	55.8%	100.3%	95.2%	90.8%
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ 348,879
Annual Pension Cost (APC)	1,976,487	1,964,890	2,394,236	3,286,271	3,796,609
Contributions Made	1,976,487	1,964,890	2,394,236	2,937,392	3,236,102
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,879</u>	<u>\$ 909,386</u>

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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. Collected revenues are provided to the Destination League City Convention and Visitors Corporation with whom the City has contracted to manage the programs funded by these revenues.

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. Funds would typically be used to purchase or construct exhibits and attractions for the museum.

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 received as a result of the creation of this zone for the purpose of developing a master planned community and golf course within the boundaries of the City.

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.

NONMAJOR GOVERNMENTAL FUNDS, Continued

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 2004B Certificates of Obligation Fund is used to account for the construction and improvements relating to the Big League Dreams Sports Park.

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.

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)

September 30, 2010

Special Revenue Funds

	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
Assets				
Cash and cash equivalents	\$ 128,664	\$ 235,476	\$ 40,531	\$ 33,313
Receivables, net	-	-	-	-
Total Assets	\$ 128,664	\$ 235,476	\$ 40,531	\$ 33,313
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 20,542	\$ 420	\$ 241	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	20,542	420	241	-
Fund Balances				
Unreserved, undesignated	108,122	235,056	40,290	33,313
Total Fund Balances	108,122	235,056	40,290	33,313
Total Liabilities and Fund Balances	\$ 128,664	\$ 235,476	\$ 40,531	\$ 33,313

Special Revenue Funds

<u>Hotel Occupancy Tax</u>	<u>Escrow-Park Facilities Maintenance</u>	<u>City Sidewalk</u>	<u>Emergency Management Response</u>	<u>Butler Museum</u>	<u>Animal Control Fund</u>
\$ 14,240	\$ 2,142,017	\$ 132,690	\$ 405,470	\$ 3,377	\$ 65,617
56,427	-	-	-	-	-
<u>\$ 70,667</u>	<u>\$ 2,142,017</u>	<u>\$ 132,690</u>	<u>\$ 405,470</u>	<u>\$ 3,377</u>	<u>\$ 65,617</u>
\$ 56,427	\$ -	\$ -	\$ 3,220	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>56,427</u>	<u>-</u>	<u>-</u>	<u>3,220</u>	<u>-</u>	<u>-</u>
14,240	2,142,017	132,690	402,250	3,377	65,617
<u>14,240</u>	<u>2,142,017</u>	<u>132,690</u>	<u>402,250</u>	<u>3,377</u>	<u>65,617</u>
<u>\$ 70,667</u>	<u>\$ 2,142,017</u>	<u>\$ 132,690</u>	<u>\$ 405,470</u>	<u>\$ 3,377</u>	<u>\$ 65,617</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)

September 30, 2010

	Special Revenue Funds			
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 37	\$ 721,517	\$ 301,691
Receivables, net	11,928	48,884	-	48,104
Total Assets	\$ 11,928	\$ 48,921	\$ 721,517	\$ 349,795
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 11,928	\$ 1,890	\$ 435,947	\$ 2,688
Due to other funds	-	46,994	-	-
Deferred revenue	-	-	-	-
Total Liabilities	11,928	48,884	435,947	2,688
<u>Fund Balances</u>				
Unreserved, undesignated	-	37	285,570	347,107
Total Fund Balances	-	37	285,570	347,107
Total Liabilities and Fund Balances	\$ 11,928	\$ 48,921	\$ 721,517	\$ 349,795

Special Revenue Funds

<u>Right of Way</u>	<u>Tax Increment Financing Zone No. One</u>	<u>Tax Increment Financing Zone No. Two</u>	<u>Tax Increment Financing Zone No. Three</u>	<u>Tax Increment Financing Zone No. Four</u>	<u>Public Improvement District No. One</u>
\$ 175,513	\$ 2,438,042	\$ 2,017,075	\$ 48,462	\$ 178,905	\$ 101,247
-	-	-	-	-	-
<u>\$ 175,513</u>	<u>\$ 2,438,042</u>	<u>\$ 2,017,075</u>	<u>\$ 48,462</u>	<u>\$ 178,905</u>	<u>\$ 101,247</u>
\$ -	\$ -	\$ -	\$ 47,574	\$ -	\$ 101,247
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	47,574	-	101,247
<u>175,513</u>	<u>2,438,042</u>	<u>2,017,075</u>	<u>888</u>	<u>178,905</u>	<u>-</u>
<u>175,513</u>	<u>2,438,042</u>	<u>2,017,075</u>	<u>888</u>	<u>178,905</u>	<u>-</u>
<u>\$ 175,513</u>	<u>\$ 2,438,042</u>	<u>\$ 2,017,075</u>	<u>\$ 48,462</u>	<u>\$ 178,905</u>	<u>\$ 101,247</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)

September 30, 2010

	Special Revenue Funds			Capital Project Funds
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Miscellaneous Capital Projects
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and cash equivalents	\$ 50,101	\$ 96,288	\$ 31,767	\$ 1,689,631
Receivables, net	-	-	-	-
Total Assets	<u><u>\$ 50,101</u></u>	<u><u>\$ 96,288</u></u>	<u><u>\$ 31,767</u></u>	<u><u>\$ 1,689,631</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 45,093	\$ 96,286	\$ 31,764	\$ 42,461
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>45,093</u>	<u>96,286</u>	<u>31,764</u>	<u>42,461</u>
Fund Balances				
Unreserved, undesignated	5,008	2	3	1,647,170
Total Fund Balances	<u>5,008</u>	<u>2</u>	<u>3</u>	<u>1,647,170</u>
Total Liabilities and Fund Balances	<u><u>\$ 50,101</u></u>	<u><u>\$ 96,288</u></u>	<u><u>\$ 31,767</u></u>	<u><u>\$ 1,689,631</u></u>

Capital Project Funds

Special Assessments	Certificates of Obligation 2003A	Certificates of Obligation 2004B	Certificates of Obligation 2006	Certificates of Obligation 2008	Certificates of Obligation 2009
\$ -	\$ 860,857	\$ -	\$ 928,975	\$ 13,053,630	\$ 11,532,526
16,395	-	-	-	-	-
<u>\$ 16,395</u>	<u>\$ 860,857</u>	<u>\$ -</u>	<u>\$ 928,975</u>	<u>\$ 13,053,630</u>	<u>\$ 11,532,526</u>
\$ -	\$ -	\$ -	\$ -	\$ 401,357	\$ -
-	-	-	-	-	-
16,395	-	-	-	-	-
<u>16,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,357</u>	<u>-</u>
-	860,857	-	928,975	12,652,273	11,532,526
-	860,857	-	928,975	12,652,273	11,532,526
<u>\$ 16,395</u>	<u>\$ 860,857</u>	<u>\$ -</u>	<u>\$ 928,975</u>	<u>\$ 13,053,630</u>	<u>\$ 11,532,526</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)

September 30, 2010

	Total Nonmajor Governmental Funds
<u>Assets</u>	
Cash and cash equivalents	\$ 37,427,659
Receivables, net	181,738
Total Assets	<u>\$ 37,609,397</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	
Accounts payable	\$ 1,299,085
Due to other funds	46,994
Deferred revenue	16,395
Total Liabilities	<u>1,362,474</u>
Fund Balances	
Unreserved, undesignated	<u>36,246,923</u>
Total Fund Balances	<u>36,246,923</u>
Total Liabilities and Fund Balances	<u>\$ 37,609,397</u>

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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, 2010

Special Revenue Funds

	<u>Police Activity</u>	<u>Municipal Court Building Security</u>	<u>Municipal Court Technology</u>	<u>Library Gift</u>
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	95,860	39,880	52,589	-
Charges for services	-	-	-	-
Investment earnings	228	442	50	69
Intergovernmental	-	-	-	-
Other revenue	-	-	-	3,870
Total Revenues	<u>96,088</u>	<u>40,322</u>	<u>52,639</u>	<u>3,939</u>
Expenditures				
General government	-	-	-	-
Public safety	57,476	17,715	10,863	-
Public works	-	-	-	-
Community services	-	-	-	5,266
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>57,476</u>	<u>17,715</u>	<u>10,863</u>	<u>5,266</u>
Revenues Over (Under) Expenditures	<u>38,612</u>	<u>22,607</u>	<u>41,776</u>	<u>(1,327)</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	38,612	22,607	41,776	(1,327)
Beginning Fund Balances	69,510	212,449	(1,486)	34,640
Ending Fund Balances	<u>\$ 108,122</u>	<u>\$ 235,056</u>	<u>\$ 40,290</u>	<u>\$ 33,313</u>

Special Revenue Funds

Hotel Occupancy Tax	Escrow-Park Facilities Maintenance	City Sidewalk	Emergency Management Response	Butler Museum	Animal Control Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
216,948	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
98	4,394	236	831	10	68
-	-	-	57,491	-	-
-	217,300	16,500	-	-	47,524
<u>217,046</u>	<u>221,694</u>	<u>16,736</u>	<u>58,322</u>	<u>10</u>	<u>47,592</u>
-	-	-	-	-	-
-	-	-	159,184	-	999
-	-	-	-	-	-
276,620	319,936	-	-	3,728	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>276,620</u>	<u>319,936</u>	<u>-</u>	<u>159,184</u>	<u>3,728</u>	<u>999</u>
<u>(59,574)</u>	<u>(98,242)</u>	<u>16,736</u>	<u>(100,862)</u>	<u>(3,718)</u>	<u>46,593</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(59,574)</u>	<u>(98,242)</u>	<u>16,736</u>	<u>(100,862)</u>	<u>(3,718)</u>	<u>46,593</u>
<u>73,814</u>	<u>2,240,259</u>	<u>115,954</u>	<u>503,112</u>	<u>7,095</u>	<u>19,024</u>
<u>\$ 14,240</u>	<u>\$ 2,142,017</u>	<u>\$ 132,690</u>	<u>\$ 402,250</u>	<u>\$ 3,377</u>	<u>\$ 65,617</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, 2010

	Special Revenue Funds			
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	1,412,563	-
Charges for services	-	-	-	402,779
Investment earnings	-	37	402	128
Intergovernmental	306,074	295,292	-	-
Other revenue	-	-	-	-
Total Revenues	<u>306,074</u>	<u>295,329</u>	<u>1,412,965</u>	<u>402,907</u>
Expenditures				
General government	-	101,572	-	-
Public safety	-	-	1,127,395	-
Public works	-	-	-	-
Community services	306,074	-	-	31,451
Capital outlay	-	193,720	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>306,074</u>	<u>295,292</u>	<u>1,127,395</u>	<u>31,451</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>37</u>	<u>285,570</u>	<u>371,456</u>
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(24,349)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,349)</u>
Net Change in Fund Balance	<u>-</u>	<u>37</u>	<u>285,570</u>	<u>347,107</u>
Beginning Fund Balances	-	-	-	-
Ending Fund Balances	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 285,570</u>	<u>\$ 347,107</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
\$ -	\$ 956,389	\$ 3,814,644	\$ 1,064,627	\$ 63,512	\$ -
-	-	-	-	-	-
-	-	-	-	-	1,226,297
-	-	-	-	-	-
-	4,170	22,998	4	276	700
-	-	-	-	-	-
-	-	-	-	-	-
-	960,559	3,837,642	1,064,631	63,788	1,226,997
-	-	-	-	-	-
-	-	-	-	-	-
-	320,791	10,865,938	1,064,626	-	1,228,947
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,280,000	-	-	-
-	-	596,578	-	-	-
-	320,791	12,742,516	1,064,626	-	1,228,947
-	639,768	(8,904,874)	5	63,788	(1,950)
-	-	10,000,000	-	-	-
175,513	-	-	-	-	-
-	-	-	-	-	-
175,513	-	10,000,000	-	-	-
175,513	639,768	1,095,126	5	63,788	(1,950)
-	1,798,274	921,949	883	115,117	1,950
\$ 175,513	\$ 2,438,042	\$ 2,017,075	\$ 888	\$ 178,905	\$ -

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, 2010

	Special Revenue Funds			Capital Project Fund
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Miscellaneous Capital Projects
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Special assessments	633,009	488,312	420,029	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	285	168	124	3,416
Intergovernmental	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	633,294	488,480	420,153	3,416
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	639,466	488,655	420,371	-
Community services	-	-	-	-
Capital outlay	-	-	-	532,110
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	639,466	488,655	420,371	532,110
Revenues Over (Under) Expenditures	(6,172)	(175)	(218)	(528,694)
Other Financing Sources (Uses)				
Certificates of obligation issued	-	-	-	-
Transfers in	-	-	-	500,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	500,000
Net Change in Fund Balance	(6,172)	(175)	(218)	(28,694)
Beginning Fund Balances	11,180	177	221	1,675,864
Ending Fund Balances	\$ 5,008	\$ 2	\$ 3	\$ 1,647,170

Capital Project Funds

Special Assessments	Certificates of Obligation 2003A	Certificates of Obligation 2004B	Certificates of Obligation 2006	Certificates of Obligation 2008	Certificates of Obligation 2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,605	194	1,816	26,777	21,984
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>1,605</u>	<u>194</u>	<u>1,816</u>	<u>26,777</u>	<u>21,984</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	146,197	74,480	2,126,685	-
-	-	-	-	-	-
-	-	-	-	-	89,458
-	-	<u>146,197</u>	<u>74,480</u>	<u>2,126,685</u>	<u>89,458</u>
-	1,605	(146,003)	(72,664)	(2,099,908)	(67,474)
-	-	-	-	-	11,600,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	<u>11,600,000</u>
-	1,605	(146,003)	(72,664)	(2,099,908)	11,532,526
-	859,252	146,003	1,001,639	14,752,181	-
\$ -	<u>\$ 860,857</u>	<u>\$ -</u>	<u>\$ 928,975</u>	<u>\$ 12,652,273</u>	<u>\$ 11,532,526</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, 2010

	Total Nonmajor Governmental Funds
<u>Revenues</u>	
Ad valorem taxes	\$ 5,899,172
Other taxes	216,948
Special assessments	2,767,647
Fines and forfeitures	1,600,892
Charges for services	402,779
Investment earnings	91,510
Intergovernmental	658,857
Other revenue	285,194
Total Revenues	11,922,999
 <u>Expenditures</u>	
General government	101,572
Public safety	1,373,632
Public works	15,028,794
Community services	943,075
Capital outlay	3,073,192
Debt service:	
Principal	1,280,000
Interest	686,036
Total Expenditures	22,486,301
Revenues Over (Under) Expenditures	(10,563,302)
 <u>Other Financing Sources (Uses)</u>	
Certificates of obligation issued	21,600,000
Transfers in	675,513
Transfers out	(24,349)
Total Other Financing Sources (Uses)	22,251,164
Net Change in Fund Balance	11,687,862
Beginning Fund Balances	24,559,061
Ending Fund Balances	\$ 36,246,923

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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 10,725,322	\$ 10,725,322	\$ 10,582,854	\$ (142,468)
Investment earnings	843,500	843,500	24,068	(819,432)
Total Revenues	<u>11,568,822</u>	<u>11,568,822</u>	<u>10,606,922</u>	<u>(961,900)</u>
Expenditures				
General government	3,578,261	3,578,261	3,579,593	(1,332)
Principal	4,526,221	4,526,221	4,526,220	1
Interest and fiscal charges	2,852,511	2,852,511	2,836,684	15,827
Total Expenditures	<u>10,956,993</u>	<u>10,956,993</u>	<u>10,942,497</u>	<u>14,496</u>
Net Change in Fund Balance	<u>\$ 611,829</u>	<u>\$ 611,829</u>	(335,575)	<u>\$ (947,404)</u>
Beginning Fund Balance			<u>2,463,898</u>	
Ending Fund Balance			<u>\$ 2,128,323</u>	

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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 35,000	\$ 35,000	\$ 95,860	\$ 60,860
Investment earnings	-	12,000	228	(11,772)
Other revenue	12,000	-	-	-
Total Revenues	47,000	47,000	96,088	49,088
Expenditures				
Public safety	83,430	98,348	57,476	40,872
Net Change if Fund Balance	\$ (36,430)	\$ (51,348)	38,612	\$ 89,960
Beginning Fund Balance			69,510	
Ending Fund Balance			\$ 108,122	

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, 2010

	<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	\$ 25,000	\$ 25,000	\$ 39,880	\$ 14,880
Investment earnings	1,200	1,200	442	(758)
Total Revenues	<u>26,200</u>	<u>26,200</u>	<u>40,322</u>	<u>14,122</u>
<u>Expenditures</u>				
Public safety	<u>12,000</u>	<u>24,000</u>	<u>17,715</u>	<u>6,285</u>
Net Change if Fund Balance	<u>\$ 14,200</u>	<u>\$ 2,200</u>	22,607	<u>\$ 20,407</u>
Beginning Fund Balance			<u>212,449</u>	
Ending Fund Balance			<u>\$ 235,056</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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 33,000	\$ 33,000	\$ 52,589	\$ 19,589
Investment earnings	480	480	50	(430)
Total Revenues	33,480	33,480	52,639	19,159
<u>Expenditures</u>				
Public safety	16,997	16,997	10,863	6,134
Net Change in Fund Balance	\$ 16,483	\$ 16,483	41,776	\$ 25,293
Beginning Fund Balance			(1,486)	
Ending Fund Balance			\$ 40,290	

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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 250	\$ 250	\$ 69	\$ (181)
Other	3,000	3,000	3,870	870
Total Revenues	3,250	3,250	3,939	689
<u>Expenditures</u>				
Community services	8,000	8,000	5,266	2,734
Net Change in Fund Balance	\$ (4,750)	\$ (4,750)	(1,327)	\$ 3,423
Beginning Fund Balance			34,640	
Ending Fund Balance			\$ 33,313	

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, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Other taxes	\$ 305,000	\$ 305,000	\$ 216,948	\$ (88,052)
Investment earnings	-	-	98	98
Total Revenues	<u>305,000</u>	<u>305,000</u>	<u>217,046</u>	<u>(87,954)</u>
<u>Expenditures</u>				
Community services	<u>305,000</u>	<u>305,000</u>	<u>276,620</u>	<u>28,380</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(59,574)</u>	<u>\$ (59,574)</u>
Beginning Fund Balance			<u>73,814</u>	
Ending Fund Balance			<u>\$ 14,240</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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 4,394	\$ 4,394
Other revenue	-	85,300	217,300	132,000
Total Revenues	<u>-</u>	<u>85,300</u>	<u>221,694</u>	<u>136,394</u>
Expenditures				
Community services	-	446,300	319,936	126,364
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (361,000)</u>	<u>(98,242)</u>	<u>\$ 262,758</u>
Beginning Fund Balance			<u>2,240,259</u>	
Ending Fund Balance			<u>\$ 2,142,017</u>	

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, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ 236	\$ 236
Other revenue	10,000	10,000	16,500	6,500
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>16,736</u>	<u>6,736</u>
 Net Change in Fund Balance	 <u>\$ 10,000</u>	 <u>\$ 10,000</u>	 16,736	 <u>\$ 6,736</u>
 Beginning Fund Balance			 <u>115,954</u>	
Ending Fund Balance			 <u>\$ 132,690</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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 57,491	\$ 57,491
Investment earnings	-	-	831	831
Total Revenues	<u>-</u>	<u>-</u>	<u>58,322</u>	<u>58,322</u>
Expenditures				
Public safety	<u>392,000</u>	<u>394,038</u>	<u>159,184</u>	<u>234,854</u>
Net Change in Fund Balance	<u>\$ (392,000)</u>	<u>\$ (394,038)</u>	<u>(100,862)</u>	<u>\$ 293,176</u>
Beginning Fund Balance			<u>503,112</u>	
Ending Fund Balance			<u>\$ 402,250</u>	

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

For the Year Ended September 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 10	\$ 10
Total Revenues	-	-	10	10
<u>Expenditures</u>				
Community services	-	3,728	3,728	-
Net Change in Fund Balance	\$ -	\$ (3,728)	(3,718)	\$ 10
Beginning Fund Balance			7,095	
Ending Fund Balance			\$ 3,377	

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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 50	\$ 50	\$ 68	\$ 18
Other revenue	15,000	15,000	47,524	32,524
Total Revenues	15,050	15,050	47,592	32,542
<u>Expenditures</u>				
Public safety	19,000	19,000	999	18,001
Net Change in Fund Balance	\$ (3,950)	\$ (3,950)	46,593	\$ 50,543
Beginning Fund Balance			19,024	
Ending Fund Balance			\$ 65,617	

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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 293,064	\$ 395,410	\$ 306,074	\$ (89,336)
Total Revenues	293,064	395,410	306,074	(89,336)
<u>Expenditures</u>				
Community services	293,064	689,742	306,074	383,668
Net Change in Fund Balance	\$ -	\$ (294,332)	-	\$ 294,332
Beginning Fund Balance			-	
Ending Fund Balance			\$ -	

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

For the Year Ended September 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 37	\$ 37
Intergovernmental	-	598,200	295,292	(302,908)
Total Revenues	-	598,200	295,329	(302,871)
<u>Expenditures</u>				
General government	-	182,900	101,572	81,328
Capital Outlay	-	415,300	193,720	221,580
Total Expenses	-	598,200	295,292	302,908
Net Change in Fund Balance	\$ -	\$ -	37	\$ 37
Beginning Fund Balance			-	
Ending Fund Balance			\$ 37	

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, 2010

	<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	\$ -	\$ 1,346,476	\$ 1,412,563	\$ 66,087
Investment Earnings	-	-	402	402
Total Revenues	<u>-</u>	<u>1,346,476</u>	<u>1,412,965</u>	<u>66,489</u>
<u>Expenditures</u>				
Public safety	-	1,330,171	1,127,395	202,776
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 16,305</u>	285,570	<u>\$ 269,265</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ 285,570</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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ -	\$ 306,075	\$ 402,779	\$ 96,704
Investment earnings	-	-	128	128
Total Revenues	<u>-</u>	<u>306,075</u>	<u>402,907</u>	<u>96,832</u>
Expenditures				
Community services	-	306,075	31,451	274,624
Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>371,456</u>	<u>371,456</u>
Other Financing Sources (Uses)				
Transfers out	-	(24,349)	(24,349)	-
Total Other Financing (Uses)	<u>-</u>	<u>(24,349)</u>	<u>(24,349)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (24,349)</u>	347,107	<u>\$ 371,456</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ 347,107</u>	

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

For the Year Ended September 30, 2010

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ -	\$ 175,513	\$ 175,513	\$ -
Total Other Financing Sources	<u>-</u>	<u>175,513</u>	<u>175,513</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 175,513</u>	<u>175,513</u>	<u>\$ -</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ 175,513</u>	

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	126
<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	136
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	144
<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	152
<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	156
<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 Eight 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 eight 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>
\$ 120,115,018	\$ 139,477,734	\$ 143,105,466	\$ 138,986,054
12,563,358	10,044,998	9,818,516	10,682,272
14,116,519	19,688,847	21,894,650	20,751,435
<u>\$ 146,794,895</u>	<u>\$ 169,211,579</u>	<u>\$ 174,818,632</u>	<u>\$ 170,419,761</u>
\$ 64,010,135	\$ 107,478,172	\$ 114,059,051	\$ 114,732,724
651,361	455,062	1,860,132	1,983,542
33,582,396	8,265,057	15,442,653	24,171,358
<u>\$ 98,243,892</u>	<u>\$ 116,198,291</u>	<u>\$ 131,361,836</u>	<u>\$ 140,887,624</u>
\$ 184,125,153	\$ 246,955,906	\$ 257,164,517	\$ 253,718,778
13,214,719	10,500,060	11,678,648	12,665,814
47,698,915	27,953,904	37,337,303	44,922,793
<u>\$ 245,038,787</u>	<u>\$ 285,409,870</u>	<u>\$ 306,180,468</u>	<u>\$ 311,307,385</u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET ASSETS

Last Eight 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	<u>41,878,732</u>	<u>39,179,901</u>	<u>46,449,106</u>	<u>47,242,674</u>
Business-Type Activities				
Utilities	14,308,479	13,545,907	14,541,689	14,644,245
Total Business-Type Activities Expenses	<u>14,308,479</u>	<u>13,545,907</u>	<u>14,541,689</u>	<u>14,644,245</u>
Total Primary Government Expenses	<u>\$ 56,187,211</u>	<u>\$ 52,725,808</u>	<u>\$ 60,990,795</u>	<u>\$ 61,886,919</u>
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	<u>6,995,037</u>	<u>8,032,439</u>	<u>8,262,714</u>	<u>27,736,425</u>
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	<u>15,847,194</u>	<u>16,421,270</u>	<u>22,879,589</u>	<u>33,852,341</u>
Total Primary Government Program Revenues	<u>\$ 22,842,231</u>	<u>\$ 24,453,709</u>	<u>\$ 31,142,303</u>	<u>\$ 61,588,766</u>
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	<u>\$ (33,344,980)</u>	<u>\$ (28,272,099)</u>	<u>\$ (29,848,492)</u>	<u>\$ (298,153)</u>

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

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Eight 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 eight 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
\$	29,212,712	\$ 29,800,358	\$ 34,255,809	\$ 36,162,871
	7,980,512	4,463,564	4,613,734	4,831,866
	4,033,855	10,171,516	10,938,166	10,359,528
	2,032,052	1,364,833	406,217	192,401
	1,827,752	793,599	716,331	473,164
	(52,476)	-	30,410	-
	1,278,164	3,353,160	1,000,000	953,006
	<u>46,312,571</u>	<u>49,947,030</u>	<u>51,960,667</u>	<u>52,972,836</u>
	1,867,641	1,742,300	516,379	214,491
	-	-	-	17,807
	44,139	2,681	3,726	-
	<u>(1,278,164)</u>	<u>(3,353,160)</u>	<u>(1,000,000)</u>	<u>(953,006)</u>
	633,616	(1,608,179)	(479,895)	(720,708)
\$	<u>46,946,187</u>	<u>\$ 48,338,851</u>	<u>\$ 51,480,772</u>	<u>\$ 52,252,128</u>
\$	22,869,042	\$ 22,863,329	\$ 9,464,005	\$ (4,398,871)
	23,589,288	17,954,399	15,163,545	9,525,788
\$	<u>46,458,330</u>	<u>\$ 40,817,728</u>	<u>\$ 24,627,550</u>	<u>\$ 5,126,917</u>

CITY OF LEAGUE CITY, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Year			
	2001	2002	2003	2004
General Fund				
Reserved	\$ 56,505	\$ 31,347	\$ 148,786	\$ 573,495
Unreserved	10,296,164	10,270,504	11,666,969	12,371,313
Total General Fund	\$ 10,352,669	\$ 10,301,851	\$ 11,815,755	\$ 12,944,808
All Other Governmental Funds				
Reserved	\$ 1,488,004	\$ 1,259,924	\$ 1,542,196	\$ 1,143,803
Unreserved, reported in:				
Special revenue funds	1,069,188	1,218,723	853,133	1,274,232
Capital project funds	8,709,624	6,651,139	22,490,881	13,516,099
Total All Other Governmental Funds	\$ 11,266,816	\$ 9,129,786	\$ 24,886,210	\$ 15,934,134

(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.

2005	2006	2007⁽¹⁾	2008⁽²⁾	2009⁽³⁾	2010
\$ 634,782	\$ 346,826	\$ 367,413	\$ 372,661	\$ 383,708	\$ 375,744
11,055,917	14,135,117	16,672,251	17,925,044	20,554,414	21,289,604
<u>\$ 11,690,699</u>	<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>
\$ 637,068	\$ 942,172	\$ 1,074,423	\$ 1,175,395	\$ 2,463,898	\$ 2,128,323
1,762,444	2,241,932	6,186,017	7,307,631	6,124,122	8,625,122
5,730,204	9,246,133	5,608,438	19,761,965	18,434,939	27,621,801
<u>\$ 8,129,716</u>	<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>

CITY OF LEAGUE CITY, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years
(modified accrual basis of accounting)

	Year			
	2001	2002	2003	2004
Revenues				
Ad valorem taxes	\$ 13,941,179	\$ 15,817,659	\$ 17,002,192	\$ 18,384,555
Sales taxes	4,039,292	4,147,638	4,229,443	4,633,633
Franchise and local taxes	2,575,476	2,648,961	2,787,371	2,984,317
Licenses and permits	1,968,140	2,075,384	2,356,534	2,722,313
Fines and forfeitures	874,344	911,914	837,370	1,042,429
Charges for services	1,457,682	1,789,849	1,747,544	1,910,953
Intergovernmental	251,451	1,402,594	712,294	2,083,145
Investment earnings	1,384,694	628,450	458,875	500,216
Other revenues	1,416,433	1,090,739	1,380,482	996,818
Total Revenues	<u>27,908,691</u>	<u>30,513,188</u>	<u>31,512,105</u>	<u>35,258,379</u>
Expenditures				
General government	5,713,231	7,357,874	7,446,844	8,163,493
Public safety	7,629,663	8,204,040	8,998,563	9,433,903
Public works	6,194,687	6,946,703	7,738,927	7,462,520
Community services	2,984,904	3,195,907	3,373,144	4,527,100
Capital outlay	2,170,992	4,481,850	5,965,708	15,543,223
Debt service				
Principal	1,556,841	1,544,193	1,678,376	1,890,451
Interest	1,511,102	1,436,510	2,107,657	2,110,050
Total Expenditures	<u>27,761,420</u>	<u>33,167,077</u>	<u>37,309,219</u>	<u>49,130,740</u>
Excess of Revenues Over (Under) Expenditures	147,271	(2,653,889)	(5,797,114)	(13,872,361)
Other Financing Sources (Uses)				
Issuance of debt	-	2,926,416	30,335,320	5,070,000
Premium on debt	-	-	-	-
Payment to escrow agent	(1,518,669)	(2,924,349)	(9,188,614)	-
Transfers in	2,159,118	1,735,505	1,743,750	2,368,363
Transfers out		(1,308,726)	(1,377,253)	(1,351,651)
Total Other Financing Sources	<u>640,449</u>	<u>428,846</u>	<u>21,513,203</u>	<u>6,086,712</u>
Net Change in Fund Balances	<u>\$ 787,720</u>	<u>\$ (2,225,043)</u>	<u>\$ 15,716,089</u>	<u>\$ (7,785,649)</u>
Debt service as a percentage of noncapital expenditures	11.16%	11.99%	10.39%	12.08%

(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.

	<u>2005</u>	<u>2006</u>	<u>2007</u> ⁽¹⁾	<u>2008</u> ⁽²⁾	<u>2009</u> ⁽³⁾	<u>2010</u>
\$	20,246,369	\$ 23,124,758	\$ 29,198,771	\$ 29,764,055	\$ 34,309,728	\$ 36,066,060
	4,878,398	6,303,377	7,980,512	10,171,516	10,938,166	10,359,528
	3,567,988	3,486,132	4,033,855	4,145,479	4,337,944	4,831,866
	2,460,148	1,440,637	2,087,633	2,746,066	1,727,849	2,079,481
	1,428,976	2,355,933	2,655,768	1,399,113	1,570,913	3,444,938
	3,126,831	3,521,772	1,631,013	3,794,687	4,333,205	4,715,349
	721,441	1,212,533	3,979,054	3,090,510	4,888,926	2,283,291
	833,275	1,279,331	1,827,752	1,308,255	388,877	189,583
	635,951	654,930	2,003,083	3,644,572	3,732,596	3,240,811
			764,091			
	<u>37,899,377</u>	<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>
	9,205,493	9,903,020	13,034,389	15,725,914	16,256,094	13,142,475
	11,336,910	12,318,494	13,255,090	15,117,809	16,744,221	19,954,328
	8,906,921	8,825,789	15,387,027	15,144,613	15,150,007	26,658,640
	3,715,646	3,726,145	5,448,799	5,322,367	5,289,925	5,573,819
	24,208,958	1,863,203	4,466,279	1,561,742	2,183,987	3,073,192
	2,256,819	2,797,966	5,705,866	3,467,065	3,429,370	5,806,220
	2,221,819	2,166,036	2,596,624	2,419,857	2,982,373	3,522,720
	<u>61,852,566</u>	<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>
	(23,953,189)	1,778,750	(3,732,542)	1,304,886	4,192,227	(10,520,487)
	14,175,000	4,695,000	5,211,280	15,500,000	-	21,600,000
	-	-	59,756	1,550	-	-
	-	-	(5,190,272)	-	-	-
	3,898,519	4,190,163	2,182,522	1,687,892	2,876,538	1,699,862
	<u>(3,179,293)</u>	<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>14,894,226</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>(9,058,963)</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>
	11.91%	11.90%	12.49%	10.70%	10.83%	12.80%

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential Property	\$ 1,996,852,921	\$ 2,172,082,786	\$ 2,516,428,212	\$ 2,777,472,033
Commercial Property	214,294,700	235,619,080	227,331,910	220,931,920
Personal Property	134,512,863	152,929,565	161,052,207	174,058,147
Less: Tax Exempt Property	<u>195,411,672</u>	<u>205,746,702</u>	<u>221,444,547</u>	<u>254,590,717</u>
Total Assessed Value (1)	<u>\$ 2,150,248,812</u>	<u>\$ 2,354,884,729</u>	<u>\$ 2,683,367,782</u>	<u>\$ 2,917,871,383</u>
Total Direct Tax Rate	0.66750	0.66250	0.65000	0.64000

Source: Tax department of the City.

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 3,215,301,333	\$ 3,058,566,355	\$ 3,482,064,613	\$ 3,996,206,634	\$ 4,471,002,204	\$ 4,689,480,916
255,476,530	968,814,106	1,057,030,836	1,006,063,001	1,103,305,300	1,083,271,328
176,244,201	185,803,655	209,789,289	237,523,778	261,111,634	297,734,807
292,747,603	484,715,934	532,254,310	327,004,477	359,984,398	364,585,279
<u>\$ 3,354,274,461</u>	<u>\$ 3,728,468,182</u>	<u>\$ 4,216,630,428</u>	<u>\$ 4,912,788,936</u>	<u>\$ 5,475,434,740</u>	<u>\$ 5,705,901,772</u>
0.63000	0.62750	0.60880	0.60880	0.63000	0.63000

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City of League City:				
Operating tax rate	\$ 0.426500	\$ 0.434400	\$ 0.421500	\$ 0.428800
Debt service tax rate	0.241000	0.228100	0.228500	0.211200
Total Direct Rates	<u>\$ 0.667500</u>	<u>\$ 0.662500</u>	<u>\$ 0.650000</u>	<u>\$ 0.640000</u>
Clear Creek Independent School District	\$ 1.700800	\$ 1.725000	\$ 1.740000	\$ 1.730000
College of the Mainland, Jr. College District	0.218000	0.218000	0.231087	0.263060
Dickinson Independent School District	1.754000	1.747000	1.764000	1.743000
Santa Fe Independent School District	1.422200	1.510000	1.570000	1.570000
Galveston County	0.545000	0.565400	0.606300	0.640000
Galveston Co. Mun. Utility District No. 2	0.560000	0.460000	0.430000	0.390000
Galveston Co. Mun. Utility District No. 3	0.450000	0.430000	0.390000	0.320000
Galveston Co. Mun. Utility District No. 6	0.860000	0.750000	0.700000	0.700000
Galveston Co. Mun. Utility District No. 13	0.965000	0.965000	0.915000	0.860000
Galveston Co. Mun. Utility District No. 14	1.000000	1.000000	1.000000	0.970000
Galveston Co. Mun. Utility District No. 15	0.870890	0.870000	0.870000	0.860000
Tara Glen MUD	0.800000	0.750000	0.725000	0.070000
Bay Colony West MUD				
Galveston Co. Mun. Utility District No. 39			0.900000	0.900000
Galveston Co. Mun. Utility District No. 43				
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	0.570000	0.750000	0.570000	0.520000
South Shore Harbour Mun. Utility District No. 3	0.325000	0.300000	0.300000	0.240000
South Shore Harbour Mun. Utility District No. 6	0.460000	0.400000	0.380000	0.350000
South Shore Harbour Mun. Utility District No. 7			0.500000	1.000000
Total Direct and Overlapping Rates (1)	<u>\$ 13.168390</u>	<u>\$ 13.102900</u>	<u>\$ 14.241387</u>	<u>\$ 13.766060</u>

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

Source: Tax department records of the various governments.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 0.429400	\$ 0.391900	\$ 0.386514	\$ 0.404000	\$ 0.413932	\$ 0.408871
0.200600	0.235600	0.222286	0.204800	0.216068	0.221129
<u>\$ 0.630000</u>	<u>\$ 0.627500</u>	<u>\$ 0.608800</u>	<u>\$ 0.608800</u>	<u>\$ 0.630000</u>	<u>\$ 0.630000</u>
\$ 1.745000	\$ 1.775000	\$ 1.630000	\$ 1.320000	\$ 1.360000	\$ 1.360000
0.245250	0.243020	0.233450	0.227380	0.221640	0.221640
1.738000	1.751000	1.724000	1.430000	1.500000	1.504000
1.570000	1.570000	1.445000	1.160000	1.160000	1.330200
0.638750	0.628750	0.598750	0.580000	0.558600	0.618600
0.365000	0.300000	0.260000	0.250000	0.240000	0.240000
0.250000	0.210000	0.160000	0.140000	0.130000	0.120000
0.700000	0.640000	0.480000	0.440000	0.440000	0.400000
0.760000	0.710000	0.630000	0.610000	0.585000	0.560000
0.920000	0.900000	0.880000	0.880000	0.870000	0.870000
0.830000	0.825000	0.825000	0.825000	0.795000	0.790000
0.700000	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
	1.000000	1.000000	1.000000	1.000000	1.000000
		1.000000	1.000000	1.000000	1.000000
0.450000	0.340000	0.290000	0.290000	0.240000	0.220000
0.220000	0.200000	0.180000	0.170000	0.160000	0.160000
0.310000	0.310000	0.300000	0.300000	0.290000	0.290000
1.000000	0.950000	0.820000	0.800000	0.750000	0.700000
<u>\$ 15.972000</u>	<u>\$ 16.550270</u>	<u>\$ 17.635000</u>	<u>\$ 16.401180</u>	<u>\$ 16.300240</u>	<u>\$ 16.384440</u>

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CITY OF LEAGUE CITY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago

Property Tax Payer	2010			2000		
	Assessed Value	Rank	% of Assessed Value	Assessed Value	Rank	% of Assessed Value
A-S 85 Victory Lakes	\$ 31,855,220	1	0.56%			
Texas-New Mexico Power Co	23,378,840	2	0.41%	\$ 19,823,730	2	1.02%
League City Towne Center LTD	21,237,070	3	0.37%			
Haven at South Shore LP	20,085,920	4	0.35%			
Broadstone Walker Commons LP	18,023,950	5	0.32%			
MF/WM Tuscan Land LTD	17,353,020	6	0.30%			
GS Beacon Lakes LP	17,037,840	7	0.30%			
Target Corporation	16,916,530	8	0.30%			
MB League City Bay Colony	16,635,110	9	0.29%			
Ravello Partners LLC	15,300,090	10	0.27%			
South Shore Harbour Dev				23,915,850	1	1.23%
American National Insurance Co.				13,469,640	5	0.69%
General Telephone Co.				16,741,510	3	0.86%
Clear Lake Partners				13,769,990	4	0.71%
SDGA Investments, Inc				11,402,690	6	0.59%
The Moorings Group				10,415,160	7	0.54%
ML Texas Apartments LP				10,142,550	8	0.52%
South Shore Lakes LTD				8,574,480	9	0.44%
Houston Light & Power				7,431,070	10	0.38%
Subtotal	\$ 197,823,590		3.47%	\$ 135,686,670		6.98%
Other Taxpayers	5,508,078,182		96.53%	1,808,545,291		93.02%
Total ⁽¹⁾	<u>\$ 5,705,901,772</u>		<u>100.00%</u>	<u>\$ 1,944,231,961</u>		<u>100.00%</u>

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Amount</u>	<u>Percent of Levy</u>
2001	2000	\$ 0.667500	\$ 13,988,728	13,676,269	97.77%
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%

Collections in Subsequent Years		Total Collections to Date	
Amount	Amount	Percent of Levy	
\$ 288,024	\$ 13,964,293	99.83%	
\$ 246,696	\$ 15,622,635	99.83%	
\$ 231,663	\$ 16,996,957	99.86%	
\$ 372,176	\$ 18,882,941	99.77%	
\$ 20,231	\$ 20,358,958	98.33%	
\$ 336,500	\$ 23,355,783	99.80%	
\$ 346,007	\$ 25,602,213	99.73%	
\$ 183,319	\$ 26,625,147	98.91%	
\$ 229,848	\$ 30,706,829	99.48%	
N/A	\$ 32,560,792	99.04%	

CITY OF LEAGUE CITY, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 17,972,724	\$ 17,428,676	\$ 20,796,089	\$ 19,094,836
Certificates of obligation	9,137,180	8,289,640	24,973,242	29,344,644
Subtotal	<u>27,109,904</u>	<u>25,718,316</u>	<u>45,769,331</u>	<u>48,439,480</u>
Business-Type Activities:				
General obligation bonds	19,112,277	22,986,325	24,018,913	23,350,166
Certificates of obligation	10,112,820	9,725,360	7,641,759	7,225,356
Revenue bonds	17,935,000	16,700,000	8,725,000	14,105,000
Contract revenue bonds	728,716	8,189,111	14,265,298	6,950,985
Subtotal	<u>47,888,813</u>	<u>57,600,796</u>	<u>54,650,970</u>	<u>51,631,507</u>
Total Primary Government	<u>\$ 74,998,717</u>	<u>\$ 83,319,112</u>	<u>\$ 100,420,301</u>	<u>\$ 100,070,987</u>
Personal Income (\$000's)	\$ 1,022,600	\$ 1,057,368	\$ 1,282,600	\$ 1,921,628
Debt as a Percentage of Personal Income	7.33%	7.88%	7.83%	5.21%
Population	48,600	53,000	58,000	62,300
Debt Per Capita	\$ 1,543	\$ 1,572	\$ 1,731	\$ 1,606

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 17,462,650	\$ 16,315,283	\$ 16,580,901	\$ 15,014,339	\$ 13,189,971	\$ 11,163,750
42,494,787	45,368,673	41,635,504	55,235,000	53,630,000	71,450,000
<u>59,957,437</u>	<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>
22,417,350	20,359,717	23,564,099	20,745,660	17,405,030	13,721,250
6,795,213	6,351,328	739,496	207,000	-	-
25,835,000	24,550,000	23,240,000	48,685,000	84,540,000	83,175,000
6,329,971	5,700,000	5,170,000	4,615,000	4,040,000	3,440,000
<u>61,377,534</u>	<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>\$ 121,334,971</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>
\$ 2,066,480	\$ 2,203,880	\$ 2,068,269	\$ 2,272,483	\$ 2,314,695	\$ 2,629,328
5.87%	5.38%	5.36%	6.36%	7.47%	6.96%
67,300	72,000	76,700	79,300	81,300	83,560
\$ 1,803	\$ 1,648	\$ 1,446	\$ 1,822	\$ 2,126	\$ 2,189

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net Assessed Value				
All property	\$ 2,150,248,812	\$ 2,354,884,729	\$ 2,683,367,782	\$ 2,917,871,383
Net Bonded Debt				
Gross bonded debt	\$ 27,109,904	\$ 25,718,316	\$ 45,769,331	\$ 48,439,480
Less debt service funds	1,488,004	1,259,924	1,542,196	1,143,803
Total Net Bonded Debt	<u>\$ 25,621,900</u>	<u>\$ 24,458,392</u>	<u>\$ 44,227,135</u>	<u>\$ 47,295,677</u>
Ratio of Net Bonded Debt				
To Assessed Value	1.19%	1.04%	1.65%	1.62%
Population	48,600	53,000	58,000	62,300
Net Bonded Debt				
Per Capita	\$ 527	\$ 461	\$ 763	\$ 759

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 3,354,274,461	\$ 3,728,468,182	\$ 4,216,630,428	\$ 4,912,788,936	\$ 5,475,434,740	\$ 5,705,901,772
\$ 59,957,437	\$ 61,683,955	\$ 58,216,405	\$ 70,249,339	\$ 66,819,969	\$ 82,613,750
637,068	942,172	1,074,250	1,175,395	2,463,899	2,128,323
<u>\$ 59,320,369</u>	<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>
1.77%	1.63%	1.36%	1.41%	1.18%	1.41%
67,300	72,000	76,700	79,300	81,300	83,560
\$ 881	\$ 844	\$ 745	\$ 871	\$ 792	\$ 963

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CITY OF LEAGUE CITY, TEXAS

DIRECT AND ESTIMATED OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2010

Governmental Unit	Debt Outstanding	Percentage Applicable	Share of Overlapping Debt
Clear Creek ISD	\$ 699,599,458	29.440%	\$ 205,962,080
Dickinson ISD	\$ 231,944,937	26.300%	\$ 61,001,518
Galveston County	\$ 338,288,422	23.160%	\$ 78,347,599
Galveston Co. Mun. Utility District No. 2	\$ 3,575,000	100.000%	\$ 3,575,000
Galveston Co. Mun. Utility District No. 3	\$ 4,045,000	100.000%	\$ 4,045,000
Galveston Co. Mun. Utility District No. 6	\$ 18,280,000	100.000%	\$ 18,280,000
Galveston Co. Mun. Utility District No. 13	\$ 6,675,000	100.000%	\$ 6,675,000
Galveston Co. Mun. Utility District No. 14	\$ 15,390,000	100.000%	\$ 15,390,000
Galveston Co. Mun. Utility District No. 15	\$ 13,435,000	100.000%	\$ 13,435,000
Galveston Co. Mun. Utility District No. 39	\$ 19,350,000	100.000%	\$ 19,350,000
Galveston Co. Mun. Utility District No. 43	\$ 22,290,000	100.000%	\$ 22,290,000
Galveston Co. Mun. Utility District No. 44	\$ 3,870,000	100.000%	\$ 3,870,000
Galveston Co. Mun. Utility District No. 46	\$ 9,145,000	100.000%	\$ 9,145,000
Bay Colony MUD	\$ 5,455,000	100.000%	\$ 5,455,000
Tara Glen MUD	\$ 3,220,000	100.000%	\$ 3,220,000
South Shore Harbour Mun. Utility District No. 2	\$ 3,560,000	100.000%	\$ 3,560,000
South Shore Harbour Mun. Utility District No. 3	\$ 685,000	100.000%	\$ 685,000
South Shore Harbour Mun. Utility District No. 6	\$ 4,800,000	100.000%	\$ 4,800,000
South Shore Harbour Mun. Utility District No. 7	\$ 20,990,000	100.000%	\$ 20,990,000
Santa Fe ISD	\$ 60,955,000	2.390%	\$ 1,456,825
Harris County	\$ 2,160,291,628	0.030%	\$ 648,087
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			\$ 502,440,957
City direct debt	-	100.000%	\$ 82,613,750
Total direct and overlapping debt			\$ 585,054,707
Population			83,560
Per Capita Debt-Direct and Overlapping			\$ 7,002

Source: Tax department records of the various governments.

CITY OF LEAGUE CITY, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	2001	2002	2003	2004
Gross revenues (1)	\$ 16,352,374	\$ 16,696,802	\$ 16,125,929	\$ 16,696,689
Operating expenses (2)	\$ 7,825,020	\$ 8,168,135	\$ 10,766,072	\$ 10,151,705
Net revenues available for Debt Service	\$ 8,527,354	\$ 8,528,667	\$ 5,359,857	\$ 6,544,984
Debt Service Requirements (3)				
Principal	\$ 1,040,000	\$ 1,285,000	\$ 1,310,000	\$ 1,330,000
Interest	998,157	862,805	797,468	1,066,870
Total	\$ 2,038,157	\$ 2,147,805	\$ 2,107,468	\$ 2,396,870
Coverage	4.18	3.97	2.54	2.73

(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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 19,374,530	\$ 20,987,306	\$ 20,876,208	\$ 25,059,656	\$ 27,799,038	\$ 25,963,918
\$ 10,569,401	\$ 11,765,081	\$ 12,380,882	\$ 12,717,300	\$ 14,593,413	\$ 15,780,459
\$ 8,805,129	\$ 9,222,225	\$ 8,495,326	\$ 12,342,356	\$ 13,205,625	\$ 10,183,459
\$ 1,235,000	\$ 1,250,000	\$ 1,330,000	\$ 1,345,000	\$ 1,365,000	\$ 1,380,000
739,526	685,519	950,533	894,119	3,741,435	3,549,816
<u>\$ 1,974,526</u>	<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>
4.46	4.76	3.73	5.51	2.59	2.07

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⁾
2001	48,600	\$ 993,967	\$ 20,452	33.1	9,601	6.0%	
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%

Data sources:

- (1) City of League City Planning Department
- (2) CDS Market Research/Claritas Survey
- (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 Five Years Ago

<u>Employer</u>	<u>2010</u>			<u>2005</u>	
	<u>Employees</u>	<u>Percent of Total Employment⁽¹⁾</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Clear Creek Independent School District	5,040	12.73%	1	3,747	1
City of League City	520	1.31%	2	392	2
Walmart	389	0.98%	3	N/A	
Krogers	386	0.97%	4	165	7
H.E.B.	225	0.57%	6	219	5
American National Insurance	638	1.61%	5	325	3
Devereaux Texas Treatment Network	273	0.69%	7	286	4
Harborview Care Center	190	0.48%	8	197	6
Randall's	90	0.23%	9	104	8
	<u>7,751</u>	<u>19.58%</u>		<u>5,435</u>	

(1) Percent of total employment is based on total employment of 39,594.

N/A Comparable data is not available for 2005.

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>2001</u>	<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>Governmental Activities:</u>										
General government	42	45	45.75	47	49	49	53	63	62	86
Public safety	122.5	126.5	135	142.5	153	155.25	163.25	176.25	180.75	192
Public works	75	81	82.5	82.5	88	90	87	100	100.5	82
Community service	51.5	54	56	56.5	57.5	59.5	76	83	80.5	71.5
<u>Business-Type Activities:</u>										
Utilities	69	70	75	76	76	77	85	86	87	88
Total City Positions	<u>360.00</u>	<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>

Source: City Finance Department

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

Function / Program	Year			
	2001	2002	2003	2004
City of League City				
Population	48,600	53,000	58,000	62,300
Square miles	53	53	53	53
Budgeted full time employees	373	380	394	410
Police				
Arrests	2,679	2,400	2,670	2,406
Calls for service	37,651	52,447	44,238	24,508
Municipal court				
Traffic violations	10,454	10,322	7,843	11,699
Non-traffic violations	3,241	3,690	3,450	3,603
Fire				
Calls answered	918	747	705	773
Inspections	2,030	2186	1999	1874
Parks and recreation				
Recreation programs (\$)	\$ 105,860	\$ 128,200	\$ 172,769	\$ 169,152
Field and facility rentals (\$)	\$ 152,367	\$ 143,434	\$ 140,410	\$ 166,686
Community Development				
Residential building permits issued	1,053	1,365	1,482	1,516
Residential building permits issued-\$ value	\$ 159,814,076	\$ 238,362,126	\$ 217,110,980	\$ 236,092,416
Commercial building permits issued	26	18	30	39
Commercial building permits issued-\$ value	\$ 29,370,250	\$ 14,137,848	\$ 20,922,190	\$ 82,391,607
Water				
Average daily gallons pumped-combined water (millions of gallons)	5.10	5.30	5.50	6.00
Average daily gallons pumped-surface water (millions of gallons)	5.00	5.20	5.50	6.00
Average daily gallons pumped-well water (millions of gallons)	0.40	0.10	0.40	0.54
Number of connections	15,677	16,836	18,850	20,478
Wastewater				
Average daily effluent treated (millions of gallons)	4.90	5.10	5.50	5.79
Number of connections	15,801	16,261	18,044	19,492

Source: Various City departments

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	67,300	72,000	76,700	79,300	81,300	83,560
	53	53	53	53	53	53
	424	436	464	508	510	520
	2,495	2,356	2,678	2,325	3,055	3,333
	31,250	46,427	60,370	33,225	37,444	35,616
	13,418	12,155	14,649	11,506	11,433	16,879
	3,459	2,925	2,908	2,383	2,441	2,529
	891	868	843	1,016	993	920
	2214	2215	1945	2,072	2,376	2,038
\$	166,149	\$ 189,740	\$ 198,794	\$ 327,155	\$ 409,738	\$ 398,404
\$	159,059	\$ 115,710	\$ 103,076	\$ 105,602	\$ 104,906	\$ 91,566
	1,249	1,580	1,549	880	712	769
\$	225,268,358	\$ 266,426,720	\$ 256,555,787	\$ 152,247,419	\$ 117,751,909	\$ 145,502,081
	69	47	79	66	27	11
\$	61,541,607	\$ 36,033,628	\$ 78,638,198	\$ 191,206,441	\$ 39,936,940	\$ 11,486,880
	7.30	7.70	7.60	9.00	10.00	9.23
	7.20	7.60	6.34	9.00	9.00	9.16
	0.47	0.70	0.90	0.34	0.18	0.71
	21,459	23,043	24,628	25,762	26,368	27,092
	6.17	6.50	7.20	6.78	6.82	7.20
	20,328	21,838	23,485	24,490	25,118	25,508

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

Function / Program	Year			
	2001	2002	2003	2004
General government				
Municipal buildings	31	32	32	32
City vehicles	204	207	216	227
Public safety				
Police Protection				
Stations	1	1	1	1
Fire Protection				
Stations/drill field	4	4	4	4
Fire apparatus	9	9	9	11
Public works				
Streets (lane miles)	278	292	296	307
Community services				
Parks	8	8	8	8
Ball fields	24	24	25	25
Swimming pools	1	1	1	1
Pavilions	8	8	8	8
Park acreage				
Developed	166	166	166	166
Water				
Water wells	6	5	5	4
Ground/elevated storage tanks	14	14	15	15
Water mains (miles)	280	291	300	317
Fire hydrants	1,969	2,115	2,161	2,345
Wastewater				
Wastewater treatment plants	2	2	2	2
Sanitary sewers (miles)	202	210	218	233
Sewer manholes	5,170	5,432	5,654	6,124

Source: Various City departments

2005	2006	2007	2008	2009	2010
36	36	36	36	36	36
246	232	252	259	265	320
1	1	1	1	1	1
6	6	6	6	6	6
11	12	10	20	21	21
312	316	320	324	337	341
8	8	10	18	18	18
25	25	29	33	33	32
1	1	1	1	1	1
8	8	8	8	8	8
189	189	199	347	347	347
4	4	4	4	4	4
17	17	16	16	16	15
340	354	368	376	388	391
2,575	2,714	2,841	2,929	3,043	3178
2	2	2	2	2	2
251	262	272	279	281.7	294.9
6,665	6,969	7,272	7,272	7,272	7851