

COMPREHENSIVE ANNUAL FINANCIAL REPORT OCTOBER 1, 2012 - SEPTEMBER 30, 2013



300 WEST WALKER
LEAGUE CITY, TEXAS
LEAGUE CITY.COM

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF LEAGUE CITY, TEXAS

For the Year Ended
September 30, 2013

**Prepared by
Finance Department**

**Rebecca Underhill
Director of Finance**

**Lonna Stein
Controller**

**Quencelia Goins
Accounting Manager**

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CITY OF LEAGUE CITY, TEXAS

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INTRODUCTORY SECTION

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March 25, 2014

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 (the "City") for the fiscal year ended September 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (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, LLLP, 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, 2013 are free from 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

unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2013, 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 90,300 and encompasses an area of 53 square miles. The City adopted a "Home Rule Charter" on March 27, 1962. That Charter provided for the "Mayor-Council" form of government as referenced in Vernon's Annotated Civil Statutes, Art. 1164 et.seq. In May 2010, the voters of League City elected to change to a "Council-Manager" form of government.

The City provides a full range of services. These services include police, fire, emergency medical services, animal control and municipal court facilities; the construction and maintenance of streets, water, wastewater, drainage systems and other infrastructure; recreational parks, swimming pool and athletic fields; and a public library and other facilities used for various cultural and civic activities. The City's water and wastewater system serves all residential and commercial locations within its limits including 15 municipal utility districts within the City's territorial limits. The City utilizes the services of a contractor in order to provide solid waste collection services and recycling.

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

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

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The City feels its internal control structure provides

reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

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

Economic Condition and Outlook

The economic condition and outlook for the City is positive, based upon strong local and regional growth. Given the attractiveness of the region, the fact that nearly one third of the City remains available for new development, and the responsible approach to growth adopted by City leadership, the prospect of additional, steady and healthy growth is highly likely. The 2010 Census placed the City's population at 83,560 persons, an 84 percent increase over the 45,444 persons residing in the community in 2000. A population growth of approximately two percent per year has continued since the 2010 Census was taken. As a result of the extensive growth of the last decade, the City has become the largest city in Galveston County, transforming it from a small town into a bustling bedroom community.

The community continued to see positive growth trends during the recent severe downturn in the national economy that signal a healthy, maturing economy. The City's assessed value growth has continued, with new home construction growth increasing between two percent and three percent annually. The City currently enjoys a 5.3 percent unemployment rate, which is slightly lower than the unemployment rate of roughly 6.2 percent throughout the Gulf Coast workforce area.

The City is focusing on the "recreational lifestyle" identity for which the City is becoming known. More than simply celebrating the family oriented quality of life atmosphere, outstanding neighborhoods, superior schools, parks, trails and waterfront as great qualities in a place to live, the "recreational lifestyle" brand proposes increased emphasis on these attributes in a place to work and shop. The recent purchase of the Train Station in the Historic District and the full lease of the facility will assist in transforming the area into a regional destination. The construction of two new restaurants in the Entertainment District along Interstate 45, has provided an enhanced shopping experience and taken full advantage of the region's substantial buying power.

The Economic Development Strategic Plan (the "Plan"), adopted by City Council, builds upon the results of the branding study and provides focus to the City's continuing growth. The Plan highlights the major assets and strengths of the community, including:

- A location that is nearly equidistant between Houston and Galveston, and access to major regional employment centers and amenities.

- Very strong relationships with the energy, aerospace, medical and tourism industries that make the 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.
- Direct proximity to the aerospace industry, including Johnson Space Center, and the petrochemical industry. Although the refineries, plants and major office centers are outside of the City, the City is attractive to small firms that are related to the industries but have a desire to be located in a more attractive and idealistic setting.
- Additional unique amenities with the ability to draw tourists to the community, including the Big League Dreams Sports Park located along Interstate 45 in direct proximity to the retail and dining opportunities.
- The longest continuous waterfront of any mainland community in Galveston County. The City is already home to the third largest concentration of pleasure boats in the United States and includes a growing number of private marinas.
- An education system that is highly attractive to families. Clear Creek Independent School District is the largest school district in the State of Texas to receive the Texas Education Agency “Recognized” rating. The region is also home to the University of Houston-Clear Lake, located just three miles from the City, as well as College of the Mainland, a junior college with a north campus located within the City limits.

These strengths have led to the following developments in the past year:

- The City saw 135 new businesses opened in 2013. These businesses included the service, retail, and industrial sectors.
- The City continues to increase the number of new housing starts over the past years. 2012 saw the construction of 695 new homes. In 2013, 1,080 new homes were built.
- Attraction of new industries continues to grow with five new businesses moving into the Brittany Bay Business Park, along with the construction of five new buildings in 2013.
- With the introduction of the City’s free market research program for entrepreneurs which was established in 2013, along with partnering with the business incubator located at the Johnson Space Center, the growth in entrepreneurship has steadily risen. The City is currently working with 15 entrepreneurs and start-up businesses.
- In February 2013, University of Texas Medical Branch began construction on a \$90 million building expansion project on the Victory Lakes campus. This expansion project will create 142,000 square feet of clinical space, allowing for the addition of 39 patient beds for inpatient stays of up to 72 hours. The facility is scheduled to open in February 2015.

Long Term Financial Planning

The City’s Long Range Financial Forecast (LRFF) for FY 2014-2018 was published in April 2013. The LRFF included revenue and expenditure projections for the City’s three major funds, including the General, Utility, and Debt Service funds. Leading economic indicators – total City water customers, new homes construction, and value of new construction – provide the means to explain past revenue performance and help in projecting future revenues.

The LRFF included debt capacity models for tax-supported and revenue-supported debt, indicating the City's capacity to issue new debt over the next several years for needed improvements. The results of this capacity modeling provided the basis for the Capital Improvement Plan (CIP) for FY 2014-2018 released in August 2013. As in previous years, the CIP included priority projects that support the City goals.

The City's FY 2014 Budget was developed and built upon the same assumptions used in the LRFF and CIP. The Budget is based on a property tax rate of \$0.597 per \$100 of taxable value, with \$0.38 for maintenance and operations and \$0.217 for interest and sinking fund. This is the same total tax rate as in FY 2013, but with a one-half cent greater allocation to maintenance and operations. Homeowners saw property tax relief through the expansion of the local option homestead exemption from ten percent to twelve percent of assessed value.

During FY 2013, periodic reports were presented to the Mayor and City Council that included year-to-date and projected year-end results for revenue, expenditures, and performance, as well as the current status of capital projects included in the FY 2013 Capital Budget. The monitoring reports continue in FY 2014.

Financial Management Policies:

As a part of the annual budget process, the 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.

The Financial Management Policy requires that the City maintain reserve balances at 90 to 100 days working capital to protect the City's creditworthiness, as well as its financial position in the event of a disaster. As of September 30, 2013, the General and Utility Funds met and exceeded this goal. Additionally, the Utility Fund maintained net position sufficient to meet bond covenant requirements for debt coverage, working capital as previously described and excess reserves sufficient to provide funds for capital projects.

City leadership expects to maintain this program of continuous improvement, combining responsive management, planning and goal setting that is appropriate for the 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 the City's citizens.

Major Initiatives

For the Year:

Improving and expanding the City's infrastructure continues to be a primary focus, with major planning underway to coordinate and focus the City's efforts to manage growth. The City has completed an update of its major plans affecting infrastructure, including the Comprehensive Plan, Master Mobility Plan, Water Master Plan, and Wastewater Master Plan. The update of the Drainage Master Plan is still ongoing. Also, the City released its fourth fully financed Capital Improvements Plan (CIP) for FY 2014-2018.

During the year, construction on the Southwest Water Reclamation Facility (SWWRF) was completed. In keeping with the Wastewater Master Plan, the design phase of several

wastewater projects has continued, so that flows from the existing Countryside Wastewater Treatment Plant (CWWTP) could be redirected to the SWWRF. Ultimately, the CWWTP will be disconnected from the system and demolished.

Transportation and traffic improvements continue to be a priority in the City. After assuming responsibility for its street signal system from Texas Department of Transportation, the City identified several projects to improve traffic signal operations in an effort to improve mobility throughout the City. In March 2013, the City began the design phase for the installation of the traffic signal lights at the intersections of FM 518 and Westover and FM 518 and Maple Leaf. Completed projects for FY 2013 include re-timing of multiple highly traveled corridors, the purchase of improved traffic signal equipment, and the remote programming of school zone flashers.

The City reevaluated its plans for the Five Corners Realignment project. This intersection carries a large volume of traffic and is prone to congestion because the intersection marks the nexus of three highways: FM 2094, FM 518, and FM 270. Texas Department of Transportation has approved the design, and construction is expected to begin in late 2015. The City is also participating in a joint project with Galveston County to convert Calder Road to a three lane concrete roadway with enclosed storm sewer. The project is still in the design phase, with construction expected to begin late 2014. In September 2013, City Council awarded a construction contract on the League City Parkway & Bay Area Boulevard Extension project. This project includes a two lane concrete roadway with curb and gutter and the completion of the median from West Bay Area Boulevard to Maple Leaf Drive and will open this summer.

In a continued effort to improve drainage in the City, the construction phase of the Robinson Bayou Stabilization project was initiated in May 2013, with expected completion of the project in January 2014. Annual stormwater improvements continued with drainage improvements made to the Interurban and Nottingham Ditches. The design phase of the Shellside Stormwater Management System is 60 percent complete and consists of construction of a major detention facility and outfall channel to transfer stormwater from the Dickinson Bayou Watershed into the Clear Creek Watershed.

In FY 2013, construction began on the new Public Safety Facility and Jail. This building will include offices for the police department, communications, emergency management, and fire administration and a new jail facility. Construction is to be completed in August 2014.

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 major focus for the next several years in infrastructure planning will be addressing the City's long-term water supply needs. The City is pursuing a three-pronged approach to addressing the fact that the existing water supplies are not sufficient to accommodate full growth to build out. Water conservation, water re-use, and securing of additional supply through diversified sources are all options over the long term.

Transportation and traffic improvements will remain high priorities, and the City will strive to identify specific improvements that anticipate and serve additional growth in the City.

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, 2012. This is the 29th 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.

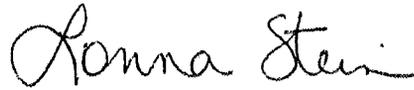
Acknowledgements

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. We also appreciate the support of the City Manager and administrative staff. 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,



Rebecca Underhill, CPA
Director of Finance



Lonna Stein
Controller



Government Finance Officers Association

**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

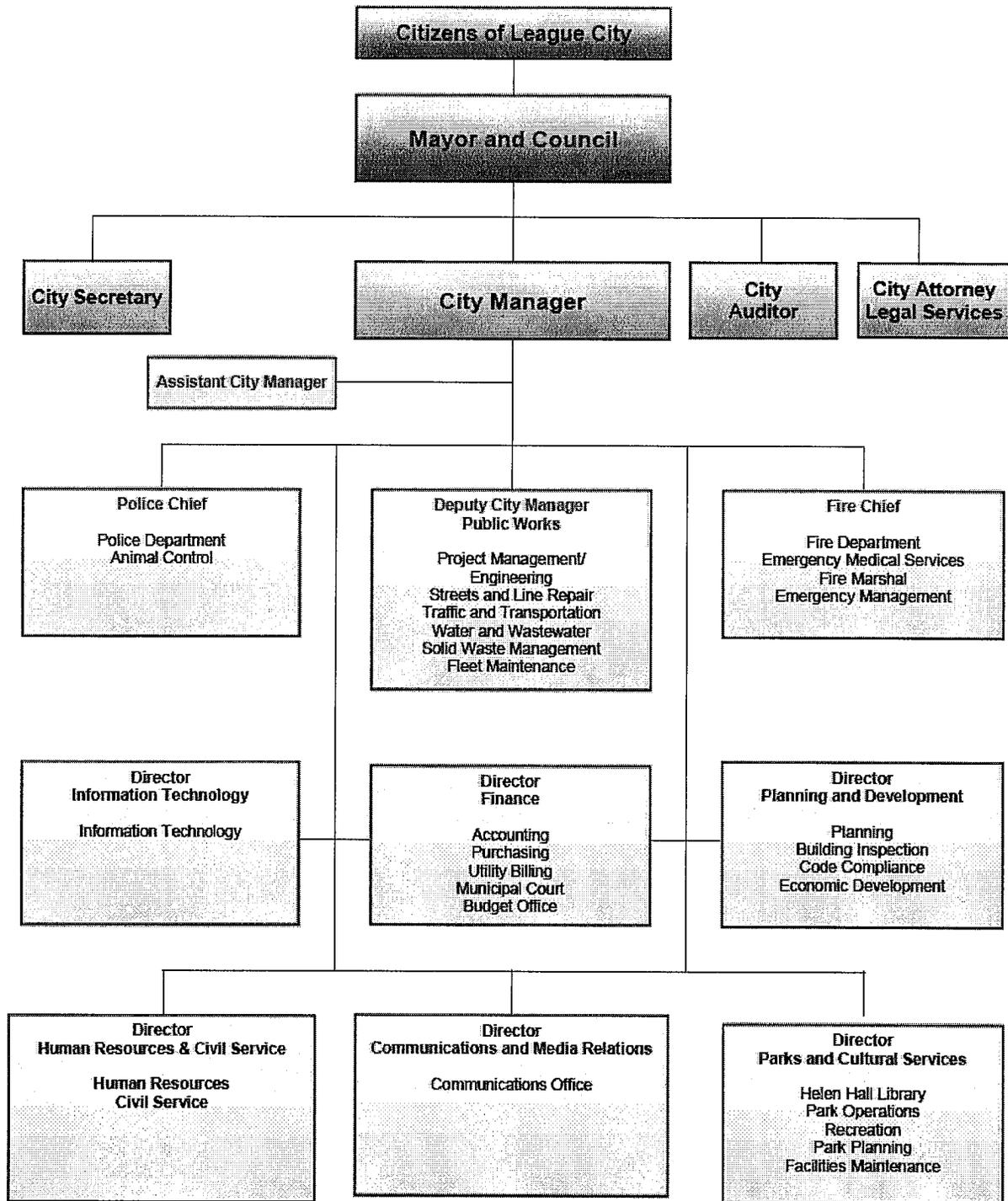
September 30, 2012

Executive Director/CEO

CITY OF LEAGUE CITY, TEXAS

ORGANIZATIONAL CHART

September 30, 2013



CITY OF LEAGUE CITY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2013

Elected Officials	Position
Tim Paulissen	Mayor
Dan Becker	Council Member
Dennis OKeeffe	Council Member
Heidi Thiess	Council Member
Todd Kinsey	Council Member
Geri Bentley	Council Member
Andy Mann	Mayor Pro Tem
Joanna Sharp Dawson	Council Member
Appointed Officials	Position
John Baumgartner	Acting City Manager
David Benson	Assistant City Manager
Diana Stapp	City Secretary
Craig Hametner	City Auditor
Rebecca Underhill	Director of Finance
Wes Morrison	Interim Director of Planning and Development
Chien Wei	Director of Parks and Cultural Services
Queenell Fox	Director of Human Resources & Civil Service
Ryan Smith	Director of Information Technology
Kristi Wyatt	Director of Communications
Linc Wright	Director of Engineering
Michael Kramm	Chief of Police
Brad Goudie	Fire Chief

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Partners

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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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 28, 2014

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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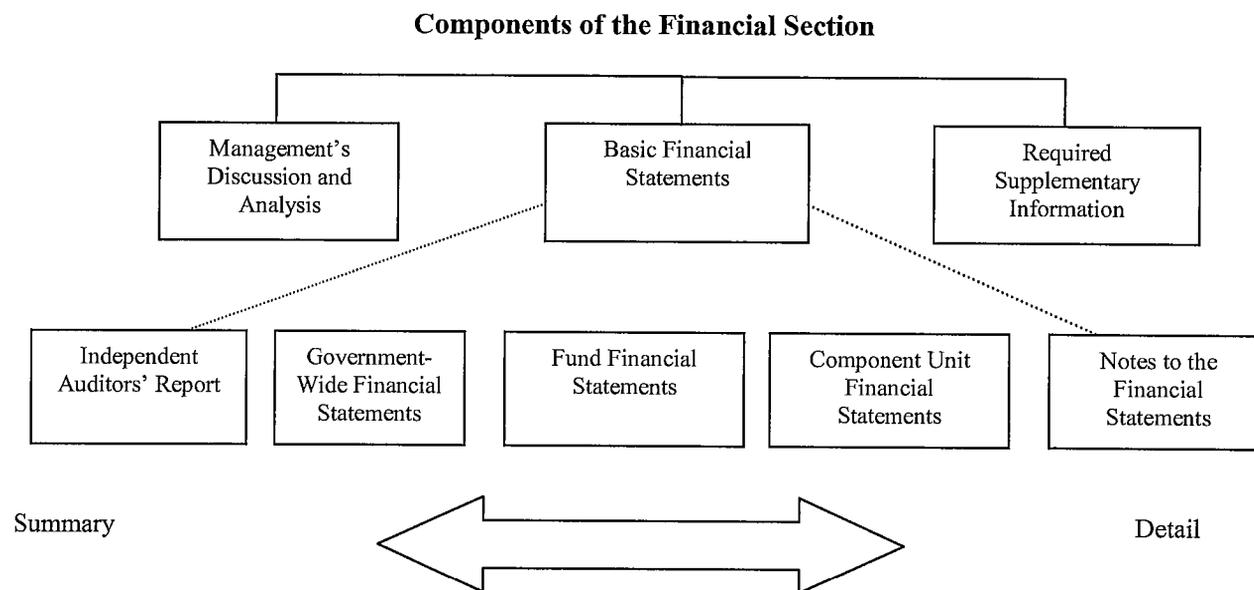
CITY OF LEAGUE CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2013

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of League City, Texas (the "City") for the year ending September 30, 2013. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

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

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

1. *Governmental Activities* – include the City's tax-supported services, police and fire protection (public safety), streets, drainage (public works), community services, and general administrative services (general government), and interest payments on the City's tax-supported debt. Property tax, sales tax, franchise taxes, municipal court fines, and permit fees fund most of these activities.
2. *Business-Type Activities* – include the City's water and wastewater services, as well as interest payments on debt issued for water and wastewater improvements. Charges for services cover all or most of the cost of these activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate industrial development corporation and a legally separate volunteer fire department for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The tax increment reinvestment zones and public improvement districts, although also legally separate, function for all practical purposes as a department of the City and, therefore, have been included as an integral part of the primary government.

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 City uses two fund types - 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, 2013

The City maintains 40 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, debt service fund, and certificates of obligation 2012 fund, which are considered to be major funds for reporting purposes. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided 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 internal service funds to account for its motor pool services and employee insurance. These internal service funds have 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 includes a budgetary comparison schedule 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 position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities by \$361,040,627 as of September 30, 2013 for the primary government. This compares with \$334,335,272 from the prior fiscal year. The largest portion of the City's net position, 84 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, 2013

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 87,280,385	\$ 96,784,477	\$ 94,307,340	\$ 121,132,806	\$ 181,587,725	\$ 217,917,283
Capital assets, net	234,756,075	217,428,959	236,053,131	202,357,424	470,809,206	419,786,383
Total Assets	322,036,460	314,213,436	330,360,471	323,490,230	652,396,931	637,703,666
Deferred charge on refunding	1,215,965	831,496	562,162	705,505	1,778,127	1,537,001
Total Deferred Outflows of Resources	1,215,965	831,496	562,162	705,505	1,778,127	1,537,001
Long-term liabilities	126,694,674	135,000,868	151,927,775	158,442,785	278,622,449	293,443,653
Other liabilities	7,716,901	5,796,868	6,795,081	5,664,874	14,511,982	11,461,742
Total Liabilities	134,411,575	140,797,736	158,722,856	164,107,659	293,134,431	304,905,395
Net Position:						
Net investment in capital assets	158,272,342	144,981,676	143,851,297	130,790,139	302,123,639	275,771,815
Restricted	11,660,329	9,997,109	8,728,270	5,767,327	20,388,599	15,764,436
Unrestricted	18,908,179	19,268,411	19,620,210	23,530,610	38,528,389	42,799,021
Total Net Position	\$ 188,840,850	\$ 174,247,196	\$ 172,199,777	\$ 160,088,076	\$ 361,040,627	\$ 334,335,272

A portion of the primary government's net position, \$20,388,599 or 6 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$38,528,389 or 10 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$26,705,355 during the current fiscal year. This included an increase of \$14,593,654 in the governmental activities, which primarily was a result of an increase in grant revenues and contributions from developers, along with a decrease in expenses for the public works function. The increase in business-type activities of \$12,111,701 is primarily a result of an increase in capital contributions.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

Statement of Activities:

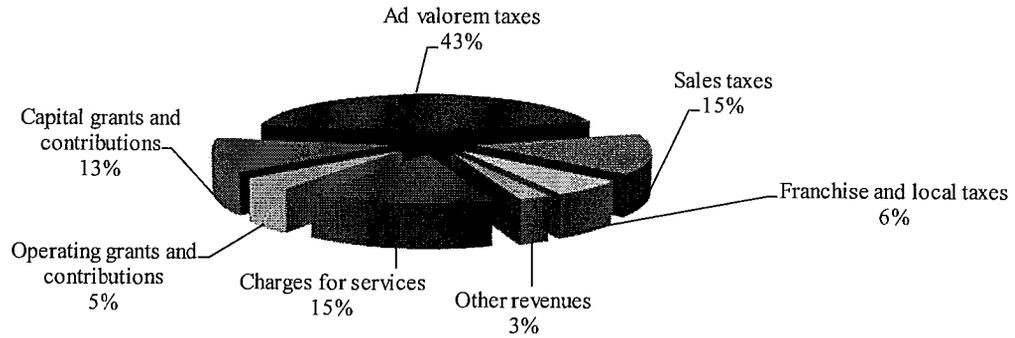
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 13,056,348	\$ 12,971,491	\$ 29,854,054	\$ 27,596,741	\$ 42,910,402	\$ 40,568,232
Operating grants and contributions	3,955,289	4,196,145	-	-	3,955,289	4,196,145
Capital grants and contributions	10,591,877	3,750,170	9,183,573	4,000,723	19,775,450	7,750,893
General revenues:						
Ad valorem taxes	36,710,803	36,513,595	-	-	36,710,803	36,513,595
Sales taxes	12,645,222	12,283,836	-	-	12,645,222	12,283,836
Franchise and local taxes	5,284,383	5,187,232	-	-	5,284,383	5,187,232
Investment earnings	122,325	291,101	120,856	357,077	243,181	648,178
Other revenues	2,272,354	1,635,709	-	-	2,272,354	1,635,709
Total Revenues	84,638,601	76,829,279	39,158,483	31,954,541	123,797,084	108,783,820
Expenses						
General government	14,286,527	14,240,323	-	-	14,286,527	14,240,323
Public safety	22,726,930	20,758,655	-	-	22,726,930	20,758,655
Public works	23,051,561	36,394,958	-	-	23,051,561	36,394,958
Community services	7,277,115	6,872,442	-	-	7,277,115	6,872,442
Interest and fiscal agent fees	4,902,242	4,541,184	-	-	4,902,242	4,541,184
Water and sewer	-	-	24,798,849	22,830,983	24,798,849	22,830,983
Total Expenses	72,244,375	82,807,562	24,798,849	22,830,983	97,043,224	105,638,545
Increase in Net Position Before Transfers and Gain	12,394,226	(5,978,283)	14,359,634	9,123,558	26,753,860	3,145,275
Transfers in/(out)	2,250,000	2,240,000	(2,250,000)	(2,240,000)	-	-
Gain (loss) on sale of capital assets	(50,572)	-	2,067	636	(48,505)	636
Change in Net Position	14,593,654	(3,738,283)	12,111,701	6,884,194	26,705,355	3,145,911
Beginning net position	174,247,196	177,985,479	160,088,076	153,203,882	334,335,272	331,189,361
Ending Net Position	\$ 188,840,850	\$ 174,247,196	\$ 172,199,777	\$ 160,088,076	\$ 361,040,627	\$ 334,335,272

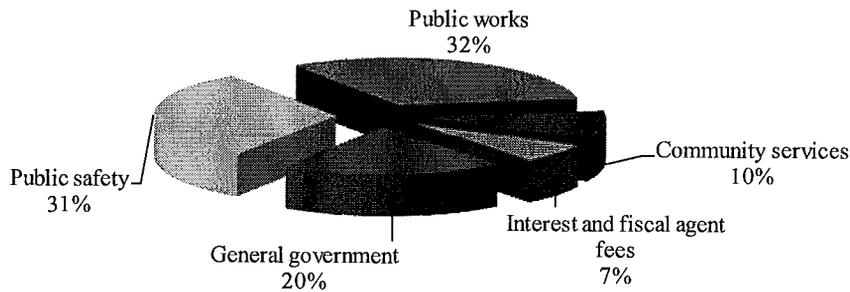
CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

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

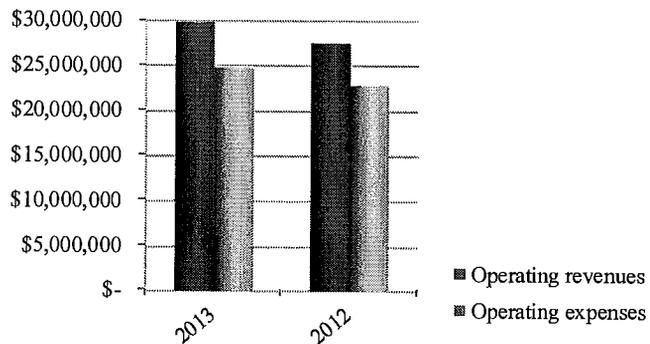
Governmental Activities - Revenues



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, 2013

For the year ended September 30, 2013, revenues from governmental activities totaled \$74,046,724, excluding \$10,591,877 in capital grants and contributions, compared with \$73,079,109 in the prior year, excluding \$3,750,170 in prior year capital grants and contributions. This \$967,615 increase occurred as the result of \$361,386 in additional sales tax revenue and \$636,645 in additional other revenue, offset by a decrease in operating grant revenues of \$240,856.

Sales tax revenue increased as a result of a boost in retail sales in the area due to an improvement in economic conditions. Other revenue increased mainly due to public improvement district reimbursements and building permit fees. Operating grant revenues decreased mainly due to a decrease in Severe Repetitive Loss (SRL) grant funds received.

Investment earnings decreased in the current year due to lower investment rates throughout the year. Investment earnings were \$168,776 less than the prior year, a decrease of 58 percent.

Capital grants and contributions increased for governmental activities by \$6,841,707 due to an increase in contributions from developers.

Governmental expenses decreased by \$10,563,187. This decrease is primarily due to decreases in expenses related to public works of \$13,343,397 as a result of a one time payment to a developer in the prior year and an increase in capitalized purchases.

Overall, business-type activity revenues increased by \$7,203,942 from the prior period, including a \$5,182,850 increase in capital grants due to an increase in contributions of infrastructure from developers and an increase in charges for service of \$2,257,313. The latter increase is due to increased water sales for the year ended September 30, 2013. While water rates remained constant, 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, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$75,832,585. Of this, \$22,236 is nonspendable, \$3,074,361 is restricted for debt service, \$39,901,976 is restricted for capital projects, \$615,452 is restricted for enabling legislation, \$180,276 is restricted for emergency management, \$607,462 is restricted for public access channel, \$5,515,634 is restricted for the tax increment reinvestment zones, and \$1,758,444 is restricted for the public improvement districts.

There was a decrease in the combined fund balance of \$11,833,661 from the prior year. The general fund balance increased by \$6,200, net of transfers to other funds, due to revenues exceeding budget projections while total expenditures were less than appropriations. The debt service fund balance experienced a decrease of \$1,806,850, most of which was a result of a \$1,200,000 budgeted contribution towards the issuance of refunding bonds. The certificates of obligation 2012 fund balance decreased by \$8,131,789 due to an increase in capital outlay. The

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

remaining change in governmental fund balances stemmed from the negative net change in fund balance for the nonmajor funds.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance reached \$16,363,119. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 34 percent of total general fund expenditures. At year end, the City's 90 day operating reserve was \$12,259,729, representing 26 percent of total general fund expenditures.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$3,570,247. The actual fund balance for the year increased by \$6,200. Actual revenues exceeded the amended budget by a net \$1,790,812 spread across various revenue lines. Actual sales tax revenue exceeded the amended budget amount by \$1,015,222, and building permits fees exceeded budget by \$631,709. The remaining revenue lines showed positive budget variances, with the exception of franchise fees, fines and forfeitures, and investment earnings.

Actual expenditures were under the amended budget by \$1,785,211. This positive variance from the amended budget was mostly a result of savings within the personnel category due to positions remaining vacant throughout the year and departments displaying restraint and good stewardship in purchasing supplies and equipment.

CAPITAL ASSETS

At the end of year 2013, the City's governmental and business-type activities had invested \$470,809,206 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$51,022,823.

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

- Developer contributions of infrastructure in the amount of \$10,591,877 for governmental activities and \$9,183,573 for business-type activities
- Beamer Road waterline extension construction in the amount of \$2,372,325
- Public Safety and Municipal Court center construction in the amount of \$7,498,683
- Robinson Bayou bank stabilization construction in the amount of \$1,384,317
- Hobbs Road and League City Parkway Intersection construction in the amount of \$1,273,803
- Meter replacement project in the amount of \$7,483,109

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, 2013

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$260,005,000. Of this amount, \$47,690,000 was general obligation debt, \$78,210,000 was revenue bond debt, \$132,255,000 was certificates of obligation, and contract revenue bonds accounted for the remaining \$1,850,000.

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

Current underlying ratings on debt issues are as follows:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

League City, like the region in which it is located, has been characterized by steady long-term growth, resilient economic performance in the face of national economic downturn, and a climate and geography considered attractive to families and businesses. In recent years, the City has experienced growth significantly above its historical trend that coincided with the national housing boom and regional energy boom. In late 2008, the "Great Recession" occurred, slowing growth in the region and in League City as well. In spite of job losses at NASA's Johnson Space Center (JSC) that occurred between 2010 and 2013, the City experienced an increase in its growth rate from 2.3% in 2010 to 3.5% in December of 2013.

While additional job losses at JSC are still possible, League City is experiencing a cyclical upturn in new construction of all types of property as a result of strong, boom-like growth in the Houston area. Energy remains the region's predominant economic specialty, and the last twelve to eighteen months has seen robust growth in the energy sector, followed by a predictable, lagged increase in the secondary (i.e. services and construction) part of the local economy. That growth spurt is now slowing to a more normal rate that is expected simply because the short-term boom could not be expected to continue indefinitely.

The local economy is strong but could easily be affected by national and international factors that could drive the demand for oil to lower levels and send the energy-driven boom into a contraction in the local economy.

The City's financial planning and reporting processes to monitor the impact of the economy on major revenues have continued into fiscal year 2014. Sales taxes continue to be systematically compared with water customers, energy employment, local business conditions, and growth in the local retail base to better understand current trends in this volatile revenue source. For the fourth year in a row, a five year operating forecast (Long Range Financial Forecast or 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.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

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 Finance Director, 300 West Walker, League City, TX, 77573, telephone 281-554-1368, or for general City information, visit the City's website at www.leaguecity.com.

BASIC FINANCIAL STATEMENTS

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and equity in pooled cash	\$ 74,852,336	\$ 7,774,273	\$ 82,626,609	\$ 6,344,798
Investments	5,211,101	1,428,886	6,639,987	1,000,000
Receivables, net	7,148,773	4,930,709	12,079,482	343,980
Restricted cash and cash equivalents	-	74,172,593	74,172,593	-
Restricted investments	-	6,018,601	6,018,601	-
Inventories	29,240	-	29,240	-
Prepaid items	21,213	-	21,213	-
Internal balances	17,722	(17,722)	-	-
	87,280,385	94,307,340	181,587,725	7,688,778
Capital assets:				
Non-depreciable	30,004,689	77,545,840	107,550,529	-
Net depreciable capital assets	204,751,386	158,507,291	363,258,677	-
	234,756,075	236,053,131	470,809,206	-
Total Assets	322,036,460	330,360,471	652,396,931	7,688,778
Deferred Outflows of Resources				
Deferred charge on refunding	1,215,965	562,162	1,778,127	-
Liabilities				
Accounts payable and accrued liabilities	7,118,117	5,316,042	12,434,159	142,477
Customer deposits	16,754	693,650	710,404	-
Accrued interest payable	582,030	785,389	1,367,419	-
	7,716,901	6,795,081	14,511,982	142,477
Noncurrent liabilities:				
Long-term liabilities due within one year	10,567,916	7,459,288	18,027,204	-
Long-term liabilities due in more than one year	116,126,758	144,468,487	260,595,245	-
	126,694,674	151,927,775	278,622,449	-
Total Liabilities	134,411,575	158,722,856	293,134,431	142,477
Net Position				
Net investment in capital assets	158,272,342	143,851,297	302,123,639	-
Restricted for:				
Debt service	2,983,061	8,728,270	11,711,331	-
Enabling legislation	615,452	-	615,452	-
Emergency management	180,276	-	180,276	-
Public access channel	607,462	-	607,462	-
Tax increment reinvestment	5,515,634	-	5,515,634	-
Public improvement district	1,758,444	-	1,758,444	-
Unrestricted	18,908,179	19,620,210	38,528,389	7,546,301
Total Net Position	\$ 188,840,850	\$ 172,199,777	\$ 361,040,627	\$ 7,546,301

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 14,286,527	\$ 2,799,880	\$ 1,652,856	\$ -
Public safety	22,726,930	-	1,243,927	-
Public works	23,051,561	5,531,374	-	10,591,877
Community services	7,277,115	4,725,094	1,058,506	-
Interest and fiscal agent fees	4,902,242	-	-	-
Total Governmental Activities	<u>72,244,375</u>	<u>13,056,348</u>	<u>3,955,289</u>	<u>10,591,877</u>
Business-Type Activities				
Water and sewer	24,798,849	29,854,054	-	9,183,573
Total Business-Type Activities	<u>24,798,849</u>	<u>29,854,054</u>	<u>-</u>	<u>9,183,573</u>
Total Primary Government	<u>\$ 97,043,224</u>	<u>\$ 42,910,402</u>	<u>\$ 3,955,289</u>	<u>\$ 19,775,450</u>
Component Units	<u>\$ 1,607,593</u>	<u>\$ -</u>	<u>\$ 1,983</u>	<u>\$ -</u>
Total Component Units	<u>\$ 1,607,593</u>	<u>\$ -</u>	<u>\$ 1,983</u>	<u>\$ -</u>

General Revenues:

- Ad valorem taxes
- Sales taxes
- Franchise and local taxes
- Investment earnings
- Other revenues
- Gain (loss) on disposal of capital assets
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (9,833,791)	\$ -	\$ (9,833,791)	\$ -
(21,483,003)	-	(21,483,003)	-
(6,928,310)	-	(6,928,310)	-
(1,493,515)	-	(1,493,515)	-
(4,902,242)	-	(4,902,242)	-
<u>(44,640,861)</u>	<u>-</u>	<u>(44,640,861)</u>	<u>-</u>
-	14,238,778	14,238,778	-
-	14,238,778	14,238,778	-
<u>(44,640,861)</u>	<u>14,238,778</u>	<u>(30,402,083)</u>	<u>-</u>
-	-	-	(1,605,610)
-	-	-	(1,605,610)
36,710,803	-	36,710,803	-
12,645,222	-	12,645,222	2,085,555
5,284,383	-	5,284,383	-
122,325	120,856	243,181	8,133
2,272,354	-	2,272,354	-
(50,572)	2,067	(48,505)	-
2,250,000	(2,250,000)	-	-
<u>59,234,515</u>	<u>(2,127,077)</u>	<u>57,107,438</u>	<u>2,093,688</u>
14,593,654	12,111,701	26,705,355	488,078
174,247,196	160,088,076	334,335,272	7,058,223
<u>\$ 188,840,850</u>	<u>\$ 172,199,777</u>	<u>\$ 361,040,627</u>	<u>\$ 7,546,301</u>

CITY OF LEAGUE CITY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2013

	General	Debt Service	Certificates of Obligation 2012	Nonmajor Governmental
<u>Assets</u>				
Cash and equity in pooled cash	\$ 10,052,854	\$ 3,030,921	\$ 31,746,603	\$ 27,889,229
Investments	4,754,576	250,000	-	206,525
Receivables, net	5,919,845	399,072	-	829,856
Due from other funds	518,846	-	-	183,140
Inventory	1,023	-	-	-
Prepaid items	21,213	-	-	-
	Total Assets	\$ 3,679,993	\$ 31,746,603	\$ 29,108,750
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 2,993,531	\$ 99,195	\$ 2,159,776	\$ 1,808,654
Customer deposits	16,754	-	-	-
Due to other funds	94,423	109,592	-	472,991
	Total Liabilities	208,787	2,159,776	2,281,645
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - court fines and warrants	580,776	-	-	-
Unavailable revenue - refuse	520,895	-	-	-
Unavailable revenue - property taxes	698,859	396,845	-	18,827
	Total Deferred Inflows of Resources	396,845	-	18,827
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	21,213	-	-	-
Inventory	1,023	-	-	-
Restricted for:				
Debt service	-	3,074,361	-	-
Capital projects	-	-	29,586,827	10,315,149
Enabling legislation	-	-	-	615,452
Emergency management	-	-	-	180,276
Public access channel	-	-	-	607,462
Tax increment reinvestment zone	-	-	-	5,515,634
Public improvement district	-	-	-	1,758,444
Assigned to:				
Operating reserve	12,259,729	-	-	-
Special revenue funds	-	-	-	5,019,143
Capital project funds	-	-	-	3,101,964
Unassigned	4,081,154	-	-	(305,246)
	Total Fund Balances	3,074,361	29,586,827	26,808,278
	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,679,993	\$ 31,746,603	\$ 29,108,750

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 72,719,607
5,211,101
7,148,773
701,986
1,023
21,213

\$ 85,803,703

\$ 7,061,156
16,754
677,006
7,754,916

580,776
520,895
1,114,531
2,216,202

21,213
1,023

3,074,361
39,901,976
615,452
180,276
607,462
5,515,634
1,758,444

12,259,729
5,019,143
3,101,964
3,775,908

75,832,585

\$ 85,803,703

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CITY OF LEAGUE CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2013

Total fund balances for governmental funds \$ 75,832,585

Amounts reported for governmental activities in the Statement of Net Position 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	30,004,689	
Capital assets - depreciable	199,600,979	
		229,605,668

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	2,216,202
--	-----------

Internal service 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 Position.	7,247,134
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Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(582,030)	
Deferred charge on refunding	1,215,965	
Non-current liabilities due in one year	(10,567,916)	
Non-current liabilities due in more than one year	(116,126,758)	
		(126,060,739)

Net Position of Governmental Activities	\$ 188,840,850
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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, 2013

	General	Debt Service	Certificates of Obligation 2012	Nonmajor Governmental
Revenues				
Ad valorem taxes	\$ 19,672,689	\$ 11,642,208	-	\$ 5,359,098
Sales taxes	12,645,222	-	-	-
Franchise fees	4,716,435	-	-	207,460
Other taxes	-	-	-	360,488
Special assessments	-	-	-	2,951,465
Licenses and permits	2,579,909	-	-	-
Fines and forfeitures	1,600,258	-	-	780,703
Charges for services	4,700,707	-	-	24,387
Other revenue	294,442	-	-	1,977,912
Contributions	-	-	-	1,652,856
Investment earnings	22,623	34,154	34,687	28,766
Intergovernmental	1,243,927	-	-	1,058,506
Total Revenues	47,476,212	11,676,362	34,687	14,401,641
Expenditures				
Current:				
General government	10,684,936	2,469,243	-	780,020
Public safety	20,707,909	-	-	1,100,540
Public works	11,908,510	-	-	3,740,602
Community services	4,260,131	-	-	1,634,014
Capital outlay	-	-	8,166,476	8,070,600
Debt service:				
Principal	-	5,785,497	-	2,355,000
Interest and fiscal charges	-	4,259,243	-	780,613
Payment to refunding bond escrow agent	-	10,610,232	-	-
Other debt service - refunding escrow	-	1,200,000	-	-
Total Expenditures	47,561,486	24,324,215	8,166,476	18,461,389
(Deficiency) of Revenues				
(Under) Expenditures	(85,274)	(12,647,853)	(8,131,789)	(4,059,748)
Other Financing Sources (Uses)				
Refunding bonds issued	-	13,819,988	-	-
Premium on refunding bonds	-	748,935	-	-
Payment to advance refunding escrow	-	(3,727,920)	-	-
Transfers in	2,250,000	-	-	2,158,526
Transfers (out)	(2,158,526)	-	-	-
Total Other Financing Sources (Uses)	91,474	10,841,003	-	2,158,526
Net Change in Fund Balances	6,200	(1,806,850)	(8,131,789)	(1,901,222)
Beginning fund balances	16,356,919	4,881,211	37,718,616	28,709,500
Ending Fund Balances	\$ 16,363,119	\$ 3,074,361	29,586,827	\$ 26,808,278

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 36,673,995
12,645,222
4,923,895
360,488
2,951,465
2,579,909
2,380,961
4,725,094
2,272,354
1,652,856
120,230
2,302,433

73,588,902

13,934,199
21,808,449
15,649,112
5,894,145
16,237,076

8,140,497
5,039,856
10,610,232
1,200,000

98,513,566

(24,924,664)

13,819,988
748,935
(3,727,920)
4,408,526
(2,158,526)

13,091,003

(11,833,661)

87,666,246

\$ 75,832,585

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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, 2013

Net changes in fund balances - total governmental funds \$ (11,833,661)

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	(9,115,763)
Capital outlay	15,850,481

Capital contributions by outside entities are not recorded in governmental funds as the contributions do not represent current financial resources.	10,591,877
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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.	455,727
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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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Refunding bonds issued	(13,819,988)
Premium on debt issued	(748,935)
Principal repayments	8,140,497
Payment to refunding bond escrow agent	10,610,232
Payment to advance refunding bond escrow agent	3,727,920
Other debt service - refunding escrow payment	1,200,000
Amortization of deferred charges	228,914
Accrued interest	(91,300)
Compensated absences	(221,784)
Net other post employment benefits obligation	(181,855)
Net pension obligation	(244,338)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and employee insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	45,630
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Change in Net Position of Governmental Activities	\$ 14,593,654
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See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2013

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service
<u>Assets</u>		
Current assets:		
Cash and equity in pooled cash	\$ 7,774,273	\$ 2,132,729
Investments	1,428,886	-
Receivables, net	4,930,709	-
Inventories	-	28,217
Restricted cash and cash equivalents:		
Customer deposits	693,650	-
Capital projects	63,965,284	-
Debt service	9,513,659	-
Restricted investments:		
Capital projects	6,018,601	-
Total Current Assets	94,325,062	2,160,946
Noncurrent assets:		
Capital assets:		
Non-depreciable	77,545,840	-
Net depreciable capital assets	158,507,291	5,150,407
Total Capital Assets, Net of Accumulated Depreciation	236,053,131	5,150,407
Total Noncurrent Assets	236,053,131	5,150,407
Total Assets	330,378,193	7,311,353
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	562,162	-
Total Deferred Outflows of Resources	562,162	-
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	5,316,042	56,961
Accrued interest	785,389	-
Due to other funds	17,722	7,258
Customer deposits	693,650	-
Compensated absences	400,242	-
Bonds, notes, and loans payable	7,059,046	-
Total Current Liabilities	14,272,091	64,219
Noncurrent liabilities:		
Compensated absences	44,471	-
Net other post employment benefits obligation	103,777	-
Net pension obligation	308,608	-
Bonds, notes, and loans payable	144,011,631	-
Total Noncurrent Liabilities	144,468,487	-
Total Liabilities	158,740,578	64,219
<u>Net Position</u>		
Net investment in capital assets	143,851,297	5,150,407
Restricted for debt service	8,728,270	-
Unrestricted	19,620,210	2,096,727
Total Net Position	\$ 172,199,777	\$ 7,247,134

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

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

For the Year Ended September 30, 2013

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Charges for services	\$ 29,830,436	\$ 7,330,367
Other	23,618	102,479
Total Operating Revenues	29,854,054	7,432,846
<u>Operating Expenses</u>		
Personnel	5,589,894	637,655
Contractual services	4,406,481	5,375
Utilities	1,245,096	-
Insurance	-	4,683,109
Repairs and maintenance	1,636,262	650,062
Other supplies and expenses	1,231,604	76,311
Depreciation	4,440,820	1,286,227
Total Operating Expenses	18,550,157	7,338,739
Operating Income	11,303,897	94,107
<u>Nonoperating Revenues (Expenses)</u>		
Investment earnings	120,856	2,095
Interest expense	(6,248,692)	-
Gain (loss) on disposal of capital assets	2,067	(50,572)
Total Nonoperating (Expenses)	(6,125,769)	(48,477)
Income Before Contributions and Transfers	5,178,128	45,630
Capital contributions	9,183,573	-
Transfers (out)	(2,250,000)	-
Change in Net Position	12,111,701	45,630
Beginning net position	160,088,076	7,201,504
Ending Net Position	\$ 172,199,777	\$ 7,247,134

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, 2013

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 29,295,532	\$ 7,432,846
Payments to suppliers	(7,408,419)	(5,408,713)
Payments to employees	(5,490,335)	(637,655)
Net Cash Provided by Operating Activities	16,396,778	1,386,478
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers (out) to other funds	(2,250,000)	-
Net Cash (Used) by Noncapital Financing Activities	(2,250,000)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal payments on debt	(6,355,066)	-
Payments to refunding bond escrow agent	(1,191,173)	-
Proceeds from debt issuance	1,075,013	-
Acquisition and construction of capital assets	(33,999,741)	(1,337,320)
Interest and fiscal charges	(6,248,692)	-
Proceeds from sale of capital assets	2,067	-
Net Cash (Used) by Capital and Related Financing Activities	(46,717,592)	(1,337,320)
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales and maturities of investments	585,286	-
Interest on investments	120,856	2,095
Net Cash Provided by Investing Activities	706,142	2,095
Net Increase (Decrease) in Cash and Equivalents	(31,864,672)	51,253
Beginning cash and cash equivalents	113,811,538	2,081,476
Ending Cash and Cash Equivalents	\$ 81,946,866	\$ 2,132,729
Unrestricted Cash and Cash Equivalents	\$ 7,774,273	\$ 2,132,729
Restricted Cash and Cash Equivalents	74,172,593	-
Total Cash and Cash Equivalents	\$ 81,946,866	\$ 2,132,729

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2013

	Business-Type Activities	Governmental Activities
	Water and Wastewater	Internal Service
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 11,303,897	\$ 94,107
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,440,820	1,286,227
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(594,944)	-
Due from other funds	195	-
Inventories	-	(7,716)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	1,093,784	7,313
Compensated absences	44,827	-
Customer deposits	36,422	-
Net other post employment benefits obligation	10,454	-
Net pension obligation	44,278	-
Due to other funds	17,045	6,547
	Net Cash Provided by Operating Activities	\$ 1,386,478
	\$ 16,396,778	\$ 1,386,478
Noncash Capital Activities:		
Capital assets contributed during the year	\$ 9,183,573	\$ -
	\$ 9,183,573	\$ -

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2013

	4B Industrial Development Corporation	Volunteer Fire Department	Total Discretely Presented Component Units
<u>Assets</u>			
Cash and equity in pooled cash	\$ 6,311,754	\$ 33,044	\$ 6,344,798
Investments	1,000,000	-	1,000,000
Receivables, net	343,980	-	343,980
Total Assets	7,655,734	33,044	7,688,778
<u>Liabilities</u>			
Accounts payable and accrued liabilities	142,477	-	142,477
Total Liabilities	142,477	-	142,477
<u>Net Position</u>			
Unrestricted	7,513,257	33,044	7,546,301
Total Net Position	\$ 7,513,257	\$ 33,044	\$ 7,546,301

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2013

<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 Industrial Development Corporation	\$ 1,590,803	\$ -	\$ -
Volunteer Fire Department	16,790	-	1,983
Total Component Units	<u>\$ 1,607,593</u>	<u>\$ -</u>	<u>\$ 1,983</u>

General Revenues:

Sales taxes
Investment earnings

Total General Revenues
Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>4B Industrial Development Corporation</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
\$ (1,590,803)	\$ -	\$ (1,590,803)
-	(14,807)	(14,807)
<u>(1,590,803)</u>	<u>(14,807)</u>	<u>(1,605,610)</u>
2,085,555	-	2,085,555
8,133	-	8,133
<u>2,093,688</u>	<u>-</u>	<u>2,093,688</u>
502,885	(14,807)	488,078
<u>7,010,372</u>	<u>47,851</u>	<u>7,058,223</u>
<u>\$ 7,513,257</u>	<u>\$ 33,044</u>	<u>\$ 7,546,301</u>

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CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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, 2013

Discretely Presented Component Units

Major Component Units

City of League City Section 4B Industrial Development Corporation

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

League City Volunteer Fire Department

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

Blended Component Units

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

Five of the seven members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The Clear Creek Independent School District 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 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

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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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 of Galveston 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 (PID) No. One – Magnolia Creek

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

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

The TIRZ Board oversees the operations of the 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 to 20 years.

City of League City Public Improvement District (PID) No. Three – CenterPointe

The TIRZ Board oversees the operations of the 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 to 20 years.

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

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 City Council has dissolved the board and now functions on their behalf.

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.

TIRZ No. One, a previous component unit of the City, was dissolved during fiscal year 2010. The remaining funds are to be used by the City to complete certain infrastructure improvements within the TIRZ.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Not included as part of the City's reporting entity are 15 municipal utility districts (MUDs). The City acts as an "operator" of the facilities. The City rebates to six of the MUDs 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. South Shore Harbour MUD #2 and South Shore Harbour MUD #3 were dissolved during fiscal years 2012 and 2011, respectively. The City has taken over the debt of these entities.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

The City reports the following governmental funds:

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.

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.

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.

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, with the exception of the certificates of obligation 2012 fund, which is reported as a major fund.

The City reports the following enterprise fund:

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

Additionally, the City reports the following fund type:

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 funds are used to account for motor pool services, which are financed from systematic transfers from general governmental and enterprise funds, and to account for premiums paid on a group health insurance plan, which provides coverage for City employees.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

2. 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 Government 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

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 and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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.

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	30 years
Equipment	5 years
Water and sewer system	50 years
Infrastructure	50 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arises only under a modified accrual basis of accounting, that qualify for reporting in this

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

category. Accordingly, the items, *unavailable revenue*, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, court fines and warrants, and refuse. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. 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.

Length of Service (Months)	Maximum Vacation Leave Accrual
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.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 the 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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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.

9. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City strives to maintain a minimum unassigned fund balance in the general fund between 90 and 100 days of current year operating expenditures.

12. 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 COBRA, 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.

13. 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. 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. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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: TIRZ No. Two, Three, and Four, PID No. One, Two, Three, and Five, Energy Efficiency Grant Fund, South Shore Harbour MUD #2 and #3 Funds, CDBG Fund, Tree Preservation Fund, and the Severe Repetitive Loss Grant Fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2013.

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.

A. Deficit Fund Balance

The individual special revenue fund noted below had a deficit fund balance at year end, as indicated.

Tax Increment Reinvestment Zone No. Three \$305,246

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2013, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
U.S. agencies	\$ 3,335,411	15.21
Certificates of deposit	10,318,722	12.15
External investment pools:		
TexPool	110,276,927	0.65
TexSTAR	43,856,718	0.26
Total Fair Value	\$ 167,787,778	
Portfolio weighted average maturity		28.28

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”. Bankers’ 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, 2013, 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, 2013 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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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 that 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, 2013, fair market values of pledged securities and FDIC coverage exceeded bank balances.

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

TexPool

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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

B. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the nonmajor governmental funds in the aggregate, and the enterprise fund, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Nonmajor	Water and Wastewater	Total
Ad valorem taxes	\$ 1,065,793	\$ 612,532	\$ 3,267	\$ -	\$ 1,681,592
Other taxes	3,516,947	-	148,221	-	3,665,168
Accounts	2,825,997	-	144,800	5,304,888	8,275,685
Intergovernmental	290,186	-	529,403	-	819,589
Other	184,806	-	5,000	5,691	195,497
Less allowance	(1,963,884)	(213,460)	(835)	(379,870)	(2,558,049)
Total	\$ 5,919,845	\$ 399,072	\$ 829,856	\$ 4,930,709	\$ 12,079,482

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Reclassifications Increases	Reclassifications (Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,829,834	\$ 112,319	\$ -	\$ 12,942,153
Construction in progress	3,350,176	13,959,437	(247,077)	17,062,536
Total capital assets not being depreciated	16,180,010	14,071,756	(247,077)	30,004,689
Other capital assets				
Infrastructure	289,234,022	10,919,040	-	300,153,062
Buildings and improvements	50,380,232	171,690	-	50,551,922
Machinery and equipment	33,528,654	3,716,626	(1,425,270)	35,820,010
Total other capital assets	373,142,908	14,807,356	(1,425,270)	386,524,994
Less accumulated depreciation for:				
Infrastructure	(134,405,751)	(5,690,249)	-	(140,096,000)
Buildings and improvements	(18,929,297)	(2,257,804)	-	(21,187,101)
Machinery and equipment	(18,558,911)	(3,125,336)	1,193,740	(20,490,507)
Total accumulated depreciation	(171,893,959)	(11,073,389)	1,193,740	(181,773,608)
Other capital assets, net	201,248,949	3,733,967	(231,530)	204,751,386
Governmental Activities				
Capital Assets, Net	\$ 217,428,959	\$ 17,805,723	\$ (478,607)	234,756,075
				Less associated debt (120,581,002)
				Plus deferred charge on refunding 1,215,965
				Plus unspent bond proceeds 42,881,304
				Net Investment in Capital Assets \$ 158,272,342

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Depreciation was charged to governmental functions as follows:

General government	\$	206,320
Public safety		2,373,044
Public works		6,452,555
Community services		2,041,470
Total Governmental Activities Depreciation Expense		<u><u>\$ 11,073,389</u></u>

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

Governmental Activities:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Robinson Bayou Bank Stabilization	\$ 1,977,135	\$ 1,700,704	\$ 276,431
Public Safety and Court Center	26,260,961	8,328,587	17,932,374
Louisiana Avenue	47,000	44,681	2,319
Five Corners Realignment	734,860	491,260	243,600
Texas Avenue	505,870	374,940	130,930
Annual Stormwater	665,333	464,899	200,434
Jag Hollow Extension	1,074,897	537,951	536,946
Fire Station EMS Expansion	2,504,413	490,358	2,014,055
WaterSmart Park	918,724	556,685	362,039
Hobbs Road and LC Parkway Traffic Improvements	1,959,171	1,406,799	552,372
Calder Road - Ervin to League City Parkway	99,940	79,072	20,868
TXDOT FM518 Bypass Hike and Bike	1,626,380	40,334	1,586,046
FM518 Access Management	482,410	479,423	2,987
Brown Pelican Storm Sewer Rehab	487,323	53,744	433,579
Brookport Extension	198,021	175,354	22,667
Renovate Helen Hall Library	34,500	5,525	28,975
New Burn Building	20,282	6,486	13,796
Hometown Heroes Park-pool & traffic signal	47,365	28,238	19,127
Countyside-Magnolia Creek Trail	16,060	-	16,060
2012 Hike & Bike Phase 1	141,688	-	141,688
Skate Park Addition	262,432	68,459	193,973
McFarland Rd Bridge	5,000	4,910	90
LC Parkway/Bay Area Blvd Extension	1,431,985	110,501	1,321,484
Main Street Sidewalks	165,466	141,475	23,991
Columbia Memorial Parkway	126,410	103,431	22,979
Butler Road Extension	7,713	-	7,713
Traffic System Improvements	37,102	25,266	11,836
HGAC/TIP Design	902,869	216,562	686,307
Total	<u><u>\$ 42,741,310</u></u>	<u><u>\$ 15,935,644</u></u>	<u><u>\$ 26,805,666</u></u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

	Beginning Balance	Reclassifications Increases	Reclassifications (Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,135,509	\$ 1,096,623	\$ -	\$ 2,232,132
Construction in progress	* 43,323,758	31,991,950	(2,000)	75,313,708
Total capital assets not being depreciated	44,459,267	33,088,573	(2,000)	77,545,840
Other capital assets				
Infrastructure	179,846,814	4,757,274	-	184,604,088
Water rights	14,528,975	-	-	14,528,975
Buildings and improvements	648,991	-	-	648,991
Machinery and equipment	6,034,964	298,165	(148,580)	6,184,549
Total other capital assets	201,059,744	5,055,439	(148,580)	205,966,603
Less accumulated depreciation for:				
Infrastructure	(34,970,106)	(3,630,232)	-	(38,600,338)
Water rights	(3,307,646)	(298,661)	-	(3,606,307)
Buildings and improvements	(350,859)	(35,050)	-	(385,909)
Machinery and equipment	(4,532,976)	(476,877)	143,095	(4,866,758)
Total accumulated depreciation	(43,161,587)	(4,440,820)	143,095	(47,459,312)
Other capital assets, net	157,898,157	614,619	(5,485)	158,507,291
Business-Type Activities Capital Assets, Net	\$ 202,357,424	\$ 33,703,192	\$ (7,485)	236,053,131
			Less associated debt	(151,070,677)
			Plus deferred charge on refunding	562,162
			Plus unspent bond proceeds	58,306,681
			Net Investment in Capital Assets	\$ 143,851,297

* Beginning balance has been restated.

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 4,440,820
Total Business-Type Activities Depreciation Expense	\$ 4,440,820

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Business-Type Activities:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Southwest WWTP	\$ 28,161,027	\$ 27,925,558	\$ 235,469
North Service Area	1,491,942	1,367,170	124,772
FW11 LS Upgrade	250,700	241,520	9,180
Magnolia Creek South FM Diversion	1,673,725	1,534,028	139,697
Butler Road LS & FM	751,457	732,104	19,353
West Main LS/FM	1,366,749	1,347,010	19,739
30" Waterline, West Side	236,000	108,761	127,239
Beamer Road Waterline Extension	2,091,243	1,896,517	194,726
Northside Water Booster	7,971,623	7,879,174	92,449
East Side Elevated Water Tower	551,050	401,050	150,000
South Shore Harbour Pump Station Exp	608,800	468,300	140,500
Southeast Service Area Trunks	463,871	152,704	311,167
SH3 Water Booster Station	18,667,696	8,395,586	10,272,110
36" WL - SH3 to SSH Booster Station	963,347	362,211	601,136
Facility Access & Control	22,840	7,855	14,985
24" WL Alderwood to FM518	194,433	147,833	46,600
New Water Wells	797,400	695,000	102,400
Calder Road Booster Station	931,700	785,662	146,038
Countryside Pump Station & Well Rehab	178,500	142,143	36,357
Re-Use Improvements-Phase 1	193,650	71,188	122,462
Sanitary Sewer Rehab 2012	2,694,594	1,423,431	1,271,163
Autumn Lakes LS FM	123,000	118,448	4,552
East Main LS & Well Rehab	74,344	68,991	5,353
Force Main Upgrade-Bay Colony to Ervin	187,600	122,437	65,163
Hobbs Road LS & FM	60,500	44,618	15,882
30" Gravity Sewer on Calder Road	113,040	32,446	80,594
24" Lines Parallel with LC Parkway	912,350	85,180	827,170
Water Line Upgrades & Replacement	270,750	154,217	116,533
Calder 39" Waterline Rehab	155,175	15,844	139,331
Total	<u>\$ 72,159,106</u>	<u>\$ 56,726,986</u>	<u>\$ 15,432,120</u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

D. Long-Term Debt

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 27,150,497	\$ 13,819,988	\$ 8,140,497	\$ 32,829,988	* \$ 3,380,954
Certificates of obligation	96,160,000	-	15,115,000	81,045,000	* 3,900,000
Unamortized debt items	6,224,676	748,935	267,597	6,706,014	* -
	<u>129,535,173</u>	<u>14,568,923</u>	<u>23,523,094</u>	<u>120,581,002</u>	<u>7,280,954</u>
Other liabilities:					
Compensated absences	3,430,396	2,533,051	2,311,267	3,652,180	3,286,962
Net OPEB obligation	455,635	181,855	-	637,490	-
Net pension obligation	1,579,664	244,338	-	1,824,002	-
	<u>5,465,695</u>	<u>2,959,244</u>	<u>2,311,267</u>	<u>5,113,872</u>	<u>3,286,962</u>
Total Governmental Activities	\$ 135,000,868	\$ 17,528,167	\$ 25,834,361	\$ 126,694,674	\$ 10,567,916
				\$ 116,126,758	
Business-Type Activities:					
Revenue bonds	\$ 81,400,000	\$ -	\$ 3,190,000	\$ 78,210,000	** \$ 5,120,000
General obligation bonds	17,159,503	1,075,013	3,374,504	14,860,012	** 999,046
Certificates of obligation	51,925,000	-	715,000	51,210,000	** 730,000
Contract revenue bonds	2,055,000	-	205,000	1,850,000	** 210,000
(Less) unamortized premiums, and discounts	5,145,743	52,493	257,571	4,940,665	** -
	<u>157,685,246</u>	<u>1,127,506</u>	<u>7,742,075</u>	<u>151,070,677</u>	<u>7,059,046</u>
Other liabilities:					
Compensated absences	399,886	452,698	407,871	444,713	400,242
Net OPEB obligation	93,323	10,454	-	103,777	-
Net pension obligation	264,330	44,278	-	308,608	-
	<u>757,539</u>	<u>507,430</u>	<u>407,871</u>	<u>857,108</u>	<u>400,242</u>
Total Business-Type Activities	\$ 158,442,785	\$ 1,634,936	\$ 8,149,946	\$ 151,927,775	\$ 7,459,288
				\$ 144,468,487	
				\$ 120,581,002	
				\$ 151,070,677	

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Governmental Activities:

Series	Original Issue	Interest Rate			Balance
General Obligation Bonds					
2006 Refunding Bonds (SSH MUD #2)	\$ 2,085,000	3.90%	to	4.00%	\$ 1,585,000
2011A General Obligation Refunding Bonds	\$ 6,975,000	2.00%	to	5.00%	6,290,000
2011B General Obligation Refunding Bonds	\$ 6,075,000	2.00%	to	4.00%	4,430,000
2012 General Obligation Refunding Bonds	\$ 6,785,000	2.00%	to	5.00%	6,705,000
2013 General Obligation Refunding Bonds	\$ 13,819,988	2.00%	to	4.00%	13,819,988
	Total General Obligation Bonds				<u>32,829,988</u>
Certificates of Obligation					
2003C Tax and Revenue Certificates of Obligation	\$ 3,135,000	1.50%	to	4.00%	660,000
2004B Tax and Revenue Certificates of Obligation	\$ 4,675,000	3.60%	to	4.38%	260,000
2005A Tax and Revenue Certificates of Obligation *	\$ 8,500,000	4.00%	to	4.50%	4,780,000
2006A Tax and Revenue Certificates of Obligation	\$ 4,695,000	4.15%	to	6.00%	420,000
2008 Tax and Revenue Certificates of Obligation	\$ 15,500,000	4.00%	to	5.00%	13,450,000
2009 Tax and Revenue Certificates of Obligation	\$ 11,600,000	3.13%	to	5.13%	9,180,000
2010 Tax and Revenue Certificates of Obligation *	\$ 10,000,000	3.13%	to	5.13%	1,335,000
2011 Tax and Revenue Certificates of Obligation *	\$ 20,390,000	2.75%	to	4.75%	17,960,000
2012A Tax and Revenue Certificates of Obligation	\$ 33,675,000	2.00%	to	5.00%	33,000,000
	Total Certificates of Obligation				<u>81,045,000</u>
	Total Governmental Activities Long-Term Debt				<u>\$ 113,874,988</u>

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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Business-Type Activities:

Series	Original Issue	Interest Rate	Balance
Revenue Bonds			
2005 Water Works & Sewer System Revenue Refunding Bonds	\$ 8,170,000	3.87% to 3.87%	\$ 4,130,000
2008 Water Works & Sewer System Revenue Bonds	\$ 26,775,000	4.00% to 5.00%	25,520,000
2009 Water Works & Sewer System Revenue Bonds	\$ 37,200,000	3.00% to 5.00%	36,655,000
2011 Water Works & Sewer System Revenue Bonds	\$ 13,040,000	3.00% to 4.50%	11,905,000
		Total Revenue Bonds	<u>78,210,000</u>
General Obligation Bonds			
2007 General Obligation Refunding Bonds *	\$ 16,303,720	4.00% to 4.12%	2,705,000
2011A General Obligation Refunding Bonds	\$ 4,705,000	2.00% to 5.00%	4,570,000
2012 General Obligation Refunding Bonds	\$ 6,510,000	2.00% to 5.00%	6,510,000
2013 General Obligation Refunding Bonds	\$ 1,075,012	2.00% to 4.00%	1,075,012
		Total General Obligation Bonds	<u>14,860,012</u>
Certificates of Obligation			
2011A Tax and Revenue Certificates of Obligation	\$ 32,290,000	3.00% to 5.00%	32,290,000
2012B Tax and Revenue Certificates of Obligation	\$ 19,635,000	2.00% to 5.00%	18,920,000
		Total Certificates of Obligation	<u>51,210,000</u>
Contract Revenue Bonds			
2011F GCWA Contract Revenue Refunding Bonds	\$ 2,250,000	2.00% to 4.00%	1,850,000
		Total Contract Revenue Bonds	<u>1,850,000</u>
		Total Business-Type Activities Long-Term Debt	<u>\$ 146,130,012</u>

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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Year Ending Sep. 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 3,380,954	\$ 1,123,991	\$ 4,504,945	\$ 999,046	\$ 608,790	\$ 1,607,836
2015	2,481,939	1,033,252	3,515,191	793,061	578,903	1,371,964
2016	3,434,063	939,487	4,373,550	765,937	549,068	1,315,005
2017	3,170,044	818,851	3,988,895	1,469,956	508,430	1,978,386
2018	3,266,026	710,990	3,977,016	1,508,974	453,466	1,962,440
2019	2,377,990	615,373	2,993,363	1,572,010	392,222	1,964,232
2020	2,158,972	516,961	2,675,933	1,611,028	322,224	1,933,252
2021	1,800,000	429,407	2,229,407	1,120,000	256,382	1,376,382
2022	1,890,000	349,857	2,239,857	1,170,000	199,132	1,369,132
2023	1,800,000	276,807	2,076,807	995,000	147,057	1,142,057
2024	1,360,000	218,466	1,578,466	1,050,000	99,997	1,149,997
2025	1,425,000	164,756	1,589,756	1,095,000	50,312	1,145,312
2026	880,000	123,628	1,003,628	235,000	20,897	255,897
2027	565,000	101,219	666,219	230,000	12,907	242,907
2028	580,000	82,941	662,941	245,000	4,441	249,441
2029	425,000	66,922	491,922	-	-	-
2030	440,000	53,263	493,263	-	-	-
2031	450,000	38,931	488,931	-	-	-
2032	465,000	23,910	488,910	-	-	-
2033	480,000	8,100	488,100	-	-	-
Total	\$ 32,829,988	\$ 7,697,112	\$ 40,527,100	\$ 14,860,012	\$ 4,204,228	\$ 19,064,240

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2014	\$ 5,120,000	\$ 3,250,654	\$ 8,370,654
2015	4,980,000	3,069,764	8,049,764
2016	4,665,000	2,896,353	7,561,353
2017	4,305,000	2,732,533	7,037,533
2018	4,135,000	2,574,981	6,709,981
2019	3,950,000	2,420,450	6,370,450
2020	3,780,000	2,269,750	6,049,750
2021	4,170,000	2,110,383	6,280,383
2022	4,000,000	1,943,201	5,943,201
2023	4,040,000	1,775,371	5,815,371
2024	3,850,000	1,606,028	5,456,028
2025	3,665,000	1,438,303	5,103,303
2026	4,455,000	1,249,053	5,704,053
2027	4,305,000	1,040,764	5,345,764
2028	4,155,000	834,706	4,989,706
2029	2,660,000	665,250	3,325,250
2030	2,735,000	530,375	3,265,375
2031	2,815,000	391,625	3,206,625
2032	2,080,000	269,250	2,349,250
2033	2,140,000	163,750	2,303,750
2034	2,205,000	55,125	2,260,125
Total	\$ 78,210,000	\$ 33,287,669	\$ 111,497,669

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Year Ending Sep. 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 3,900,000	\$ 3,350,969	\$ 7,250,969	\$ 730,000	\$ 2,112,750	\$ 2,842,750
2015	3,750,000	3,216,248	6,966,248	740,000	2,098,050	2,838,050
2016	3,545,000	3,095,118	6,640,118	760,000	2,079,250	2,839,250
2017	3,645,000	2,976,280	6,621,280	785,000	2,056,075	2,841,075
2018	4,390,000	2,834,043	7,224,043	810,000	2,032,150	2,842,150
2019	4,505,000	2,672,999	7,177,999	1,165,000	2,000,050	3,165,050
2020	4,655,000	2,492,035	7,147,035	1,525,000	1,946,300	3,471,300
2021	4,740,000	2,285,694	7,025,694	1,945,000	1,868,375	3,813,375
2022	4,885,000	2,072,679	6,957,679	2,375,000	1,769,550	4,144,550
2023	5,000,000	1,852,942	6,852,942	2,585,000	1,678,488	4,263,488
2024	5,135,000	1,619,587	6,754,587	3,030,000	1,597,875	4,627,875
2025	4,570,000	1,377,785	5,947,785	3,500,000	1,477,544	4,977,544
2026	4,730,000	1,161,942	5,891,942	3,050,000	1,325,213	4,375,213
2027	4,860,000	937,429	5,797,429	3,580,000	1,159,463	4,739,463
2028	5,025,000	725,837	5,750,837	4,135,000	966,588	5,101,588
2029	5,140,000	524,860	5,664,860	6,020,000	742,651	6,762,651
2030	4,020,000	324,606	4,344,606	6,360,000	463,088	6,823,088
2031	2,225,000	171,875	2,396,875	6,725,000	174,631	6,899,631
2032	2,325,000	58,125	2,383,125	1,390,000	22,588	1,412,588
Total	\$ 81,045,000	\$ 33,751,053	\$ 114,796,053	\$ 51,210,000	\$ 27,570,679	\$ 78,780,679

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

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2014	\$ 210,000	\$ 60,287	\$ 270,287
2015	210,000	56,088	266,088
2016	220,000	49,787	269,787
2017	225,000	43,188	268,188
2018	235,000	36,437	271,437
2019	240,000	28,800	268,800
2020	250,000	20,400	270,400
2021	260,000	10,400	270,400
Total	\$ 1,850,000	\$ 305,387	\$ 2,155,387

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 and water and sewer system revenues secure these debt obligations.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Refunding

During fiscal year 2013, the City issued \$14,895,000 of general obligation refunding bonds, series 2013 and contributed \$1,200,000 to provide resources to purchase U.S. Government state and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$16,250,000, consisting of \$1,720,000 of 2003A tax and revenue certificates of obligation, \$3,980,000 of 2003B tax and revenue certificates of obligation, \$6,290,000 of 2003 general obligation refunding bonds, \$1,145,000 of 2004B tax and revenue certificates of obligation, and \$3,115,000 of 2006 tax and revenue certificates of obligation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$399,482. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 20 years by \$3,050,482 and resulted in an economic gain of \$2,663,061. At September 30, 2013, \$4,260,000 of the defeased bonds were outstanding related to the refunding.

During fiscal year 2012, the City issued \$13,295,000 of general obligation refunding bonds, series 2012 and contributed \$3,000,000 to provide resources to purchase U.S. Government state and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,340,000, consisting of \$415,000 of SSH MUD #3 1997 refunding bonds, \$6,125,000 of 2003B tax and revenue certificates of obligation, \$2,525,000 of 2004B tax and revenue certificates of obligation, \$1,155,000 of SSH MUD #2 2002 tax and revenue bonds, and \$7,120,000 of 2004 water works and sewer system revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$719,348. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next twenty years by \$2,931,361 and resulted in an economic gain of \$1,548,914. At September 30, 2013, \$9,645,000 of the defeased bonds were outstanding related to the refunding.

During fiscal year 2012, the City issued \$11,680,000 of general obligation refunding bonds, series 2011A to provide resources to purchase U.S. Government state and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$11,860,000, consisting of \$675,000 of 2002 general obligation refunding Bonds, \$2,660,000 of 2003A tax and revenue certificates of obligation, \$3,720,000 of 2004A tax and revenue certificates of obligation, \$2,150,000 of 2002 water works and sewer system revenue bonds, and \$2,655,000 of 2004 water works and sewer system revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$699,496. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next sixteen years by \$89,365 and resulted in an economic gain of \$633,588. At September 30, 2013, \$1,245,000 of the defeased bonds were outstanding related to the refunding.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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 (IRS) 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 Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General Fund	Water and Wastewater Fund	\$ 120
General Fund	Debt Service Fund	84,824
General Fund	Internal Service Fund	711
General Fund	Nonmajor Governmental Funds	433,191
Nonmajor Governmental Funds	General Fund	94,423
Nonmajor Governmental Funds	Debt Service Fund	24,768
Nonmajor Governmental Funds	Water and Wastewater Fund	17,602
Nonmajor Governmental Funds	Nonmajor Governmental Funds	39,800
Nonmajor Governmental Funds	Internal Service Fund	6,547
	Total	<u><u>\$ 701,986</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

F. Interfund Transfers

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General Fund	Nonmajor Governmental Funds	\$ 2,158,526
Water and Wastewater Fund	General Fund	2,250,000
	Total	<u><u>\$ 4,408,526</u></u>

The general fund made transfers to nonmajor governmental funds to provide financing for right of way acquisition and to provide matching grant funds for the Severe Repetitive Loss grant and to the Internal Service Fund to fund the motor pool. The water and wastewater fund provided monies to the general fund for reimbursement of administrative costs related to the support of the water and wastewater system.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

G. Restricted Assets

As of September 30, 2013, the City held restricted cash and investments in the water and wastewater fund for the following purposes:

Restricted for:	
Customer deposits	\$ 693,650
Capital projects	69,983,885
Debt service	9,513,659
Total	\$ 80,191,194

H. Restatement of Net Position/Fund Balance

Beginning net position of governmental activities and beginning fund balance of nonmajor governmental funds have been reduced by \$85,500 to remove a receivable which should have been removed in the previous year. In addition, beginning net position of business-type activities and the water and wastewater fund has been increased by \$1,107,136 in order to capitalize expenses related to the meter replacement project, which should have been capitalized in the prior year.

See below for a reconciliation of changes in beginning net position/fund balance:

	Governmental Activities	Business-Type Activities	Water and Wastewater Fund	NonMajor Governmental Funds
Beginning net position/fund balance	\$ 174,332,696	\$ 158,980,940	\$ 158,980,940	\$ 28,795,000
Restatement - receivable	(85,500)	-	-	(85,500)
Restatement - construction in progress	-	1,107,136	1,107,136	-
Beginning net position/fund balance - restated	\$ 174,247,196	\$ 160,088,076	\$ 160,088,076	\$ 28,709,500

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.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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 on the financial condition of the City.

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

C. Pension Plans

Texas Municipal Retirement System

Plan Description

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

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

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

	<u>2013</u>	<u>2012</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

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 rate 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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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 TMRS 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. The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 3,976,563
Interest on Net Pension Obligation (NPO)	129,080
Adjustment to the ARC	<u>(113,407)</u>
Annual Pension Cost (APC)	3,992,236
Contributions made	<u>(3,703,620)</u>
Increase in NPO	288,616
NPO - beginning of year	<u>1,843,994</u>
NPO - end of year	<u><u>\$ 2,132,610</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>
2011	\$ 4,180,161	\$ 3,568,738	85.37%	\$ 1,520,809
2012	\$ 3,797,489	\$ 3,474,304	91.49%	\$ 1,843,994
2013	\$ 3,992,236	\$ 3,703,620	92.77%	\$ 2,132,610

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	25.1 Years - closed period	26.2 Years - closed period	27.2 Years - closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living Adjustments	3.00%	3.00%	3.00%
	2.10%	2.10%	2.10%

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

	2013
Actuarial Valuation Date	12/31/2012
Actuarial Value of Assets	\$ 74,898,974
Actuarial Accrued Liability	\$ 93,986,635
Percentage Funded	79.7%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 19,087,661
Annual Covered Payroll	\$ 25,211,756
UAAL as a Percentage of Covered Payroll	75.7%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI 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 TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2013, 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

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF, for the fiscal years ended 2013, 2012, and 2011 were \$5,339, \$5,022, and \$5,173, respectively. The City's contribution rates for the past three years are shown below:

	<u>2013</u>	<u>2012</u>	<u>2011</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 coverage under 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 20 years of service may retire at any age. The City contributes up to 100 percent of the monthly premium for retirees that are age 60 with 20 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 Program and funding is provided on a pay-as-you-go basis.

Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

The annual OPEB cost for the fiscal year ending September 30, 2013 is as follows:

Annual Req. Contrib. (ARC)	\$	347,436
Interest on OPEB Obligation		24,703
Adjustments to ARC		(22,887)
End of Year Annual OPEB Cost (Expense)		349,252
Net Estimated Employer Contributions		(156,943)
Increase in Net OPEB Obligation		192,309
Net OPEB Obligation (Asset) - beginning of year		548,959
Net OPEB Obligation (Asset) - end of year		741,268

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 Program, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost (ARC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2011	\$ 229,399	45.60%	\$ 307,380	\$ 432,104
2012	\$ 236,663	50.60%	\$ 432,104	\$ 548,959
2013	\$ 349,252	44.90%	\$ 548,959	\$ 741,268

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the Program was zero percent funded. The actuarial accrued liability for benefits was \$3,097,039 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,097,039. The annual covered payroll at December 31, 2011 was \$25,322,107 and the UAAL as a percentage of the annual covered payroll was 12.2 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 Program 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 RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

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)	8.5% / 4.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as RSI provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 (MUDs) whose boundaries overlap the boundaries of the City. The MUDs construct water, sanitary sewer, and drainage facilities to serve the areas within the MUDs and issue bonds to finance such facilities. The MUDs 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 (GCWA). 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. On December 8, 2009, the water supply agreement was revised to adjust the price and the obligation for delivery of water. GCWA shall sell and deliver 150,000 gallons per day of water with a maximum of 1,000,000 gallons per day provided GCWA has excess water available, or for emergency use only.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

3. Gulf Coast Water Authority – Water System Improvements

The City entered into an agreement with the Gulf Coast Water Authority (GCWA) on September 8, 1998 providing for the construction of water system improvements and issuance of GCWA contract bonds to finance the construction. The water system improvement included a transmission system to deliver 2 million gallons per day to the City from the Thomas Mackey Water Treatment Plant. 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 23.5 million gallons per day for the City.

F. Subsequent Events

On December 31, 2013, Municipal Utility District (MUD) #2 was dissolved. Due to the dissolution occurring prior to final maturity of the MUD's Waterworks and Sewer System Combination Unlimited Tax Refunding Bonds, Series 1998, the City contributed \$960,000 to pay the remaining principal amount owed.

In addition, on October 29, 2013, the City issued General Obligation Refunding Bonds, Series 2013A in the amount of \$2,190,000. This bond issue was related to Public Improvement District #3 infrastructure and is funded by homeowner assessments in the district.

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REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
Revenues				
Ad valorem taxes	\$ 19,638,000	\$ 19,631,950	\$ 19,672,689	\$ 40,739
Sales taxes	11,630,000	11,630,000	12,645,222	1,015,222
Franchise fees	4,807,900	4,807,900	4,716,435	(91,465)
Licenses and permits	2,048,200	1,948,200	2,579,909	631,709
Fines and forfeitures	1,817,000	1,817,000	1,600,258	(216,742)
Charges for services	4,524,250	4,524,250	4,700,707	176,457
Other	217,300	217,300	294,442	77,142
Investment earnings	52,000	52,000	22,623	(29,377)
Intergovernmental	1,056,800	1,056,800	1,243,927	187,127
Total Revenues	<u>45,791,450</u>	<u>45,685,400</u>	<u>47,476,212</u>	<u>1,790,812</u>
Expenditures				
Current:				
General government:				
Economic development	374,300	375,240	296,587	78,653
Budget office	264,170	247,090	222,537	24,553
City secretary	350,500	374,570	350,157	24,413
City manager	554,070	544,070	489,025	55,045
Information technology	1,987,555	1,995,555	1,970,810	24,745
City attorney	735,000	735,000	704,376	30,624
Accounting	1,287,270	1,338,820	1,328,356	10,464
Mayor and City council	168,470	168,470	153,080	15,390
Civil service	78,000	78,980	33,110	45,870
Municipal court	582,000	586,850	527,881	58,969
Human resources	940,160	898,180	769,355	128,825
Facilities maintenance	1,674,250	1,681,830	1,600,590	81,240
Purchasing	262,330	265,440	255,761	9,679
Communications	349,940	382,020	368,851	13,169
Non-departmental	2,059,900	2,006,690	1,614,460	392,230
Total General Government	<u>11,667,915</u>	<u>11,678,805</u>	<u>10,684,936</u>	<u>993,869</u>
Public safety:				
Emergency management	262,900	262,900	242,192	20,708
Police	14,962,049	15,448,800	15,326,227	122,573
Animal control	645,990	645,990	618,480	27,510
Fire marshal	493,880	499,340	490,211	9,129
Fire	1,185,850	1,187,080	1,091,178	95,902
EMS	2,792,540	2,940,340	2,939,621	719
Total Public Safety	<u>20,343,209</u>	<u>20,984,450</u>	<u>20,707,909</u>	<u>276,541</u>

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, 2013

	<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 inspection	\$ 1,075,871	\$ 1,157,951	\$ 1,146,897	\$ 11,054
Project management	132,160	148,640	147,196	1,444
Engineering	1,514,270	1,484,270	1,342,422	141,848
Street and storm water	4,384,883	4,290,983	4,222,998	67,985
Code enforcement	621,640	484,810	450,194	34,616
Traffic and transportation	572,245	599,445	599,376	69
Solid waste	2,845,000	3,256,000	3,156,950	99,050
Planning	874,950	857,350	842,477	14,873
Total Public Works	<u>12,021,019</u>	<u>12,279,449</u>	<u>11,908,510</u>	<u>370,939</u>
Community services:				
Library	1,839,416	1,852,415	1,851,474	941
Parks recreation	562,240	562,240	496,140	66,100
Sportsplex operations	422,628	425,358	415,788	9,570
Sportsplex administration	89,010	89,260	82,638	6,622
Parks planning	257,630	270,660	270,642	18
Parks operation	1,196,530	1,204,060	1,143,449	60,611
Total Community Services	<u>4,367,454</u>	<u>4,403,993</u>	<u>4,260,131</u>	<u>143,862</u>
Total Expenditures	<u>48,399,597</u>	<u>49,346,697</u>	<u>47,561,486</u>	<u>1,785,211</u>
Revenues (Under) Expenditures	<u>(2,608,147)</u>	<u>(3,661,297)</u>	<u>(85,274)</u>	<u>3,576,023</u>
Other Financing Sources (Uses)				
Transfers in	2,250,000	2,250,000	2,250,000	-
Transfers (out)	(2,055,000)	(2,158,950)	(2,158,526)	424
Total Other Financing Sources (Uses)	<u>195,000</u>	<u>91,050</u>	<u>91,474</u>	<u>424</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (2,413,147)</u>	<u>\$ (3,570,247)</u>	6,200	<u>\$ 3,576,447</u>
Beginning fund balance			<u>16,356,919</u>	
Ending Fund Balance			<u>\$ 16,363,119</u>	

Notes to Required Supplementary Information (RSI):

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

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CITY OF LEAGUE CITY, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2013

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. The information presented below represents the City's schedule of funding progress.

Fiscal Year	<u>2011</u>	<u>2012</u>	<u>2013</u>
Actuarial Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Value of Assets	\$ 59,887,993	\$ 67,192,944	\$ 74,898,974
Actuarial Accrued Liability	\$ 79,487,232	\$ 86,545,914	\$ 93,986,635
Percentage Funded	75.3%	77.6%	79.7%
Unfunded Actuarial			
Accrued Liability (UAAL)	\$ 19,599,239	\$ 19,352,970	\$ 19,087,661
Annual Covered Payroll	\$ 23,788,127	\$ 25,322,107	\$ 25,211,756
UAAL % of Covered Payroll	82.4%	76.4%	75.7%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ 909,386	\$ 1,520,809	\$ 1,843,994
Annual Pension Cost (APC)	4,180,161	3,797,489	3,992,236
Contributions Made	3,568,738	3,474,304	3,703,620
NPO at the End of Period	<u>\$ 1,520,809</u>	<u>\$ 1,843,994</u>	<u>\$ 2,132,610</u>

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CITY OF LEAGUE CITY, TEXAS

SCHEDULE OF FUNDING PROGRESS

POST EMPLOYMENT HEALTHCARE BENEFITS

For the Year Ended September 30, 2013

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%
12/31/11	\$ -	\$ 3,097,039	\$ 3,097,039	0%	\$25,322,107	12.2%

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***COMBINING STATEMENTS
AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specific purposes other than debt service or capital projects.

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

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

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

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

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

The **Park Facilities and Maintenance Fund** 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 **Tree Preservation Fund** is used to account for fees paid by developers in lieu of replacing trees removed or damaged during development. Funds are to be utilized solely for the purchase and planting of trees on City properties, parks and right-of-way areas, as designated by the Urban Forester.

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.

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

NONMAJOR GOVERNMENTAL FUNDS, Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS, Continued

The **South Shore Harbour (SSH) MUD #2 Fund** is used to account for funds received as a result of the dissolution of SSH Municipal Utility District #2. Funds will be utilized in whole or in part for capital or permanent improvements inside the boundaries of the District.

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

The **Public Safety Technology Fund** is used to account for the collection of funds from other agencies, who are members of the City's public safety consortium. The funds will be used solely to maintain and support the Gulf Region Information and Dispatch (GRID) system. The GRID system consists of a computer-aided dispatch, records management and mobile computer system, serving law enforcement, fire, EMS and emergency communications for each of the agencies' parties. This consolidated system will enhance public safety operations by standardizing equipment and records management systems and will provide for shared costs of communications technology.

Capital Projects Funds

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition and/or construction of capital facilities and other capital assets.

The **Technology Fund** is used to account for the one time purchase of technology related hardware, software, and other services.

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 acquisition, construction, and equipping of public safety, streets, drainage, and park facilities.

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

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

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

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

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

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)
September 30, 2013

Special Revenue Funds

	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
Assets				
Cash and cash equivalents	\$ 206,460	\$ 3,524	\$ 14,874	\$ 9,562
Investments	-	-	-	-
Due from other funds	-	6	8	-
Receivables, net	-	-	-	-
Total Assets	\$ 206,460	\$ 3,530	\$ 14,882	\$ 9,562
Liabilities				
Accounts payable	\$ 34,364	\$ 2,011	\$ 248	\$ -
Due to other funds	5	-	-	-
Total Liabilities	34,369	2,011	248	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	1,519	14,634	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Capital projects	-	-	-	-
Assigned to:				
Special revenue funds	172,091	-	-	9,562
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	172,091	1,519	14,634	9,562
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 206,460	\$ 3,530	\$ 14,882	\$ 9,562

Special Revenue Funds

Hotel Occupancy Tax	Park Facilities and Maintenance	City Sidewalk	Emergency Management Response	Tree Preservation Fund	Animal Control Donation
\$ 548,985	\$ 2,185,005	\$ 36,620	\$ 54,738	\$ 31,223	\$ 46,541
-	-	-	-	-	-
-	-	-	-	-	-
95,810	235,507	-	126,561	-	-
<u>\$ 644,795</u>	<u>\$ 2,420,512</u>	<u>\$ 36,620</u>	<u>\$ 181,299</u>	<u>\$ 31,223</u>	<u>\$ 46,541</u>
\$ 45,496	\$ 139,390	\$ 36,105	\$ 1,023	\$ -	\$ -
-	-	-	-	-	-
45,496	139,390	36,105	1,023	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
599,299	-	-	-	-	-
-	-	-	180,276	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,281,122	515	-	31,223	46,541
-	-	-	-	-	-
-	-	-	-	-	-
599,299	2,281,122	515	180,276	31,223	46,541
<u>\$ 644,795</u>	<u>\$ 2,420,512</u>	<u>\$ 36,620</u>	<u>\$ 181,299</u>	<u>\$ 31,223</u>	<u>\$ 46,541</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)
September 30, 2013

	Special Revenue Funds			
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 28,836	\$ 555,052
Investments	-	-	-	-
Due from other funds	-	50,151	31,200	-
Receivables, net	191,919	-	-	52,410
Total Assets	\$ 191,919	\$ 50,151	\$ 60,036	\$ 607,462
Liabilities				
Accounts payable	\$ 191,919	\$ 14,982	\$ 29	\$ -
Due to other funds	-	35,169	60,000	-
Total Liabilities	191,919	50,151	60,029	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	607,462
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Capital projects	-	-	-	-
Assigned to:				
Special revenue funds	-	-	7	-
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	-	7	607,462
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 191,919	\$ 50,151	\$ 60,036	\$ 607,462

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
\$ 353,296	\$ 2,290,866	\$ 3,166,066	\$ 21,148	\$ 337,880	\$ 1,750,208
-	-	-	-	-	-
-	-	57,726	8,006	874	-
-	-	-	-	-	-
<u>\$ 353,296</u>	<u>\$ 2,290,866</u>	<u>\$ 3,223,792</u>	<u>\$ 29,154</u>	<u>\$ 338,754</u>	<u>\$ 1,750,208</u>
\$ 750	\$ 131	\$ -	\$ -	\$ 330,750	\$ 22,902
-	-	6,897	334,400	-	-
<u>750</u>	<u>131</u>	<u>6,897</u>	<u>334,400</u>	<u>330,750</u>	<u>22,902</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,290,735	3,216,895	-	8,004	-
-	-	-	-	-	1,727,306
-	-	-	-	-	-
352,546	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(305,246)	-	-
<u>352,546</u>	<u>2,290,735</u>	<u>3,216,895</u>	<u>(305,246)</u>	<u>8,004</u>	<u>1,727,306</u>
<u>\$ 353,296</u>	<u>\$ 2,290,866</u>	<u>\$ 3,223,792</u>	<u>\$ 29,154</u>	<u>\$ 338,754</u>	<u>\$ 1,750,208</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)
September 30, 2013

	Special Revenue Funds			
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Severe Repetitive Loss (SRL) Grant
Assets				
Cash and cash equivalents	\$ 38,338	\$ 18,669	\$ 46,837	\$ -
Investments	-	-	-	-
Due from other funds	-	-	-	-
Receivables, net	-	-	-	6,908
Total Assets	\$ 38,338	\$ 18,669	\$ 46,837	\$ 6,908
Liabilities				
Accounts payable	\$ 24,386	\$ 7,735	\$ 40,585	\$ -
Due to other funds	-	-	-	6,908
Total Liabilities	24,386	7,735	40,585	6,908
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	13,952	10,934	6,252	-
Capital projects	-	-	-	-
Assigned to:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	13,952	10,934	6,252	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 38,338	\$ 18,669	\$ 46,837	\$ 6,908

Special Revenue Funds				Capital Project Funds	
South Shore Harbour (SSH) MUD #3	South Shore Harbour (SSH) MUD #2	4B Park Maintenance and Operations	Public Safety Technology	Technology	Miscellaneous Capital Projects
\$ 146,631	\$ 998,857	\$ 718,521	\$ 12,876	\$ 709,649	\$ 2,423,266
-	-	206,525	-	-	-
-	-	-	-	-	35,169
1,970	462	87,608	9,306	-	-
<u>\$ 148,601</u>	<u>\$ 999,319</u>	<u>\$ 1,012,654</u>	<u>\$ 22,182</u>	<u>\$ 709,649</u>	<u>\$ 2,458,435</u>
\$ -	\$ -	\$ 31,020	\$ -	\$ -	\$ 64,907
-	-	1,586	18,009	-	5,386
-	-	32,606	18,009	-	70,293
1,970	462	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
146,631	998,857	980,048	-	-	-
-	-	-	4,173	709,649	2,388,142
-	-	-	-	-	-
<u>146,631</u>	<u>998,857</u>	<u>980,048</u>	<u>4,173</u>	<u>709,649</u>	<u>2,388,142</u>
<u>\$ 148,601</u>	<u>\$ 999,319</u>	<u>\$ 1,012,654</u>	<u>\$ 22,182</u>	<u>\$ 709,649</u>	<u>\$ 2,458,435</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)
September 30, 2013

	Capital Project Funds			
	Special Assessments	Certificates of Obligation 2003A	Certificates of Obligation 2006	Certificates of Obligation 2008
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 2,472,040
Investments	-	-	-	-
Due from other funds	-	-	-	-
Receivables, net	16,395	-	-	5,000
Total Assets	\$ 16,395	\$ -	\$ -	\$ 2,477,040
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 326,074
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	326,074
Deferred Inflows of Resources				
Unavailable revenue - property taxes	16,395	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Capital projects	-	-	-	2,150,966
Assigned to:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	-	-	2,150,966
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,395	\$ -	\$ -	\$ 2,477,040

Capital Project Funds

Certificates of Obligation 2009	Certificates of Obligation 2011	Certificates of Obligation 2011 - 4B	Total Nonmajor Governmental Funds
\$ 7,569,062	\$ 1,093,599	\$ -	\$ 27,889,229
-	-	-	206,525
-	-	-	183,140
-	-	-	829,856
<u>\$ 7,569,062</u>	<u>\$ 1,093,599</u>	<u>\$ -</u>	<u>\$ 29,108,750</u>
\$ 404,381	\$ 89,466	\$ -	\$ 1,808,654
-	4,631	-	472,991
<u>404,381</u>	<u>94,097</u>	<u>-</u>	<u>2,281,645</u>
-	-	-	18,827
-	-	-	615,452
-	-	-	180,276
-	-	-	607,462
-	-	-	5,515,634
-	-	-	1,758,444
7,164,681	999,502	-	10,315,149
-	-	-	5,019,143
-	-	-	3,101,964
-	-	-	(305,246)
<u>7,164,681</u>	<u>999,502</u>	<u>-</u>	<u>26,808,278</u>
<u>\$ 7,569,062</u>	<u>\$ 1,093,599</u>	<u>\$ -</u>	<u>\$ 29,108,750</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)
For the Year Ended September 30, 2013

	Special Revenue Funds			
	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	71,953	32,332	43,108	-
Charges for services	-	-	-	-
Investment earnings	72	46	8	18
Intergovernmental	-	-	-	-
Contributions	-	-	-	-
Other revenue	20,500	-	-	18
Total Revenues	<u>92,525</u>	<u>32,378</u>	<u>43,116</u>	<u>36</u>
Expenditures				
General government	-	-	-	-
Public safety	62,920	108,524	42,484	-
Public works	-	-	-	-
Community services	-	-	-	13,680
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>62,920</u>	<u>108,524</u>	<u>42,484</u>	<u>13,680</u>
Revenues Over (Under)				
Expenditures	<u>29,605</u>	<u>(76,146)</u>	<u>632</u>	<u>(13,644)</u>
Other Financing Sources				
Transfers in	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	29,605	(76,146)	632	(13,644)
Beginning fund balances	142,486	77,665	14,002	23,206
Ending Fund Balances	<u>\$ 172,091</u>	<u>\$ 1,519</u>	<u>\$ 14,634</u>	<u>\$ 9,562</u>

Special Revenue Funds

<u>Hotel Occupancy Tax</u>	<u>Park Facilities and Maintenance</u>	<u>City Sidewalk</u>	<u>Emergency Management Response</u>	<u>Tree Preservation Fund</u>	<u>Animal Control Donation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
360,149	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
500	2,182	120	74	10	32
-	250,318	-	-	-	-
-	-	-	-	-	-
-	293,210	-	-	31,213	12,985
<u>360,649</u>	<u>545,710</u>	<u>120</u>	<u>74</u>	<u>31,223</u>	<u>13,017</u>
-	-	-	-	-	-
-	-	-	39,738	-	5,061
-	-	-	-	-	-
322,832	489,736	-	-	-	-
-	-	138,941	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>322,832</u>	<u>489,736</u>	<u>138,941</u>	<u>39,738</u>	<u>-</u>	<u>5,061</u>
-	-	-	-	-	-
<u>37,817</u>	<u>55,974</u>	<u>(138,821)</u>	<u>(39,664)</u>	<u>31,223</u>	<u>7,956</u>
-	-	-	-	-	-
-	-	-	-	-	-
37,817	55,974	(138,821)	(39,664)	31,223	7,956
561,482	2,225,148	139,336	219,940	-	38,585
<u>\$ 599,299</u>	<u>\$ 2,281,122</u>	<u>\$ 515</u>	<u>\$ 180,276</u>	<u>\$ 31,223</u>	<u>\$ 46,541</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)
For the Year Ended September 30, 2013

Special Revenue Funds

	<u>CDBG</u>	<u>Energy Efficiency Grant</u>	<u>Safelight Program</u>	<u>Public Access Channel</u>
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	207,460
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	633,310	-
Charges for services	-	-	-	-
Investment earnings	-	-	235	417
Intergovernmental	759,261	41,506	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>759,261</u>	<u>41,506</u>	<u>633,545</u>	<u>207,877</u>
Expenditures				
General government	-	41,506	-	-
Public safety	-	-	841,813	-
Public works	-	-	-	-
Community services	759,261	-	-	48,505
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>759,261</u>	<u>41,506</u>	<u>841,813</u>	<u>48,505</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(208,268)</u>	<u>159,372</u>
Other Financing Sources				
Transfers in	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(208,268)</u>	<u>159,372</u>
Beginning fund balances	-	-	208,275	448,090
Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 607,462</u>

Special Revenue Funds

Right of Way	Tax Increment Financing Zone No. One	Tax Increment Financing Zone No. Two	Tax Increment Financing Zone No. Three	Tax Increment Financing Zone No. Four	Public Improvement District No. One
\$ -	\$ -	\$ 4,306,738	\$ 973,755	\$ 78,605	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,188,261
-	-	-	-	-	-
183	2,312	1,739	186	256	857
-	-	-	-	-	-
-	-	-	-	-	-
140,983	-	-	-	-	1,376,167
<u>141,166</u>	<u>2,312</u>	<u>4,308,477</u>	<u>973,941</u>	<u>78,861</u>	<u>2,565,285</u>
39,359	-	-	-	-	-
-	-	-	-	-	-
-	153,579	364,962	249,900	330,750	875,095
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,215,000	800,000	-	-
-	-	277,002	177,550	-	-
<u>39,359</u>	<u>153,579</u>	<u>1,856,964</u>	<u>1,227,450</u>	<u>330,750</u>	<u>875,095</u>
<u>101,807</u>	<u>(151,267)</u>	<u>2,451,513</u>	<u>(253,509)</u>	<u>(251,889)</u>	<u>1,690,190</u>
<u>102,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>102,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
204,781	(151,267)	2,451,513	(253,509)	(251,889)	1,690,190
147,765	2,442,002	765,382	(51,737)	259,893	37,116
<u>\$ 352,546</u>	<u>\$ 2,290,735</u>	<u>\$ 3,216,895</u>	<u>\$ (305,246)</u>	<u>\$ 8,004</u>	<u>\$ 1,727,306</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
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NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)
For the Year Ended September 30, 2013

	Special Revenue Funds			
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Severe Repetitive Loss (SRL) Grant
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Other taxes	-	-	-	-
Special assessments	794,239	512,527	456,438	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	207	93	69	-
Intergovernmental	-	-	-	7,421
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>794,446</u>	<u>512,620</u>	<u>456,507</u>	<u>7,421</u>
Expenditures				
General government	-	-	-	167,471
Public safety	-	-	-	-
Public works	796,836	512,524	456,956	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>796,836</u>	<u>512,524</u>	<u>456,956</u>	<u>167,471</u>
Revenues Over (Under)				
Expenditures	<u>(2,390)</u>	<u>96</u>	<u>(449)</u>	<u>(160,050)</u>
Other Financing Sources				
Transfers in	-	-	-	552
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>552</u>
Net Change in Fund Balances	<u>(2,390)</u>	<u>96</u>	<u>(449)</u>	<u>(159,498)</u>
Beginning fund balances	<u>16,342</u>	<u>10,838</u>	<u>6,701</u>	<u>159,498</u>
Ending Fund Balances	<u>\$ 13,952</u>	<u>\$ 10,934</u>	<u>\$ 6,252</u>	<u>\$ -</u>

Special Revenue Funds				Capital Project Funds	
South Shore Harbour (SSH) MUD #3	South Shore Harbour (SSH) MUD #2	4B Park Maintenance and Operations	Public Safety Technology	Technology	Miscellaneous Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
339	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	24,387	-	-	-
117	932	855	6	674	1,408
-	-	-	-	-	-
-	-	1,405,961	-	-	-
-	-	-	102,836	-	-
<u>456</u>	<u>932</u>	<u>1,431,203</u>	<u>102,842</u>	<u>674</u>	<u>1,408</u>
-	500	531,184	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	98,669	59,397	640,301
-	-	340,000	-	-	-
-	-	326,061	-	-	-
<u>-</u>	<u>500</u>	<u>1,197,245</u>	<u>98,669</u>	<u>59,397</u>	<u>640,301</u>
<u>456</u>	<u>432</u>	<u>233,958</u>	<u>4,173</u>	<u>(58,723)</u>	<u>(638,893)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,055,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,055,000</u>
456	432	233,958	4,173	(58,723)	1,416,107
<u>146,175</u>	<u>998,425</u>	<u>746,090</u>	<u>-</u>	<u>768,372</u>	<u>972,035</u>
<u>\$ 146,631</u>	<u>\$ 998,857</u>	<u>\$ 980,048</u>	<u>\$ 4,173</u>	<u>\$ 709,649</u>	<u>\$ 2,388,142</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)
For the Year Ended September 30, 2013

	Capital Project Funds			
	Special Assessments	Certificates of Obligation 2003A	Certificates of Obligation 2006	Certificates of Obligation 2008
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	5	124	3,979
Intergovernmental	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	-	5	124	3,979
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	13,409	238,780	2,407,216
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	13,409	238,780	2,407,216
Revenues Over (Under)				
Expenditures	-	(13,404)	(238,656)	(2,403,237)
Other Financing Sources				
Transfers in	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	-	(13,404)	(238,656)	(2,403,237)
Beginning fund balances	-	13,404	238,656	4,554,203
Ending Fund Balances	\$ -	\$ -	\$ -	\$ 2,150,966

Capital Project Funds

Certificates of Obligation 2009	Certificates of Obligation 2011	Certificates of Obligation 2011 - 4B	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 5,359,098
-	-	-	207,460
-	-	-	360,488
-	-	-	2,951,465
-	-	-	780,703
-	-	-	24,387
8,978	2,004	68	28,766
-	-	-	1,058,506
-	-	246,895	1,652,856
-	-	-	1,977,912
<u>8,978</u>	<u>2,004</u>	<u>246,963</u>	<u>14,401,641</u>
-	-	-	780,020
-	-	-	1,100,540
-	-	-	3,740,602
-	-	-	1,634,014
2,574,061	1,825,248	74,578	8,070,600
-	-	-	2,355,000
-	-	-	780,613
<u>2,574,061</u>	<u>1,825,248</u>	<u>74,578</u>	<u>18,461,389</u>
<u>(2,565,083)</u>	<u>(1,823,244)</u>	<u>172,385</u>	<u>(4,059,748)</u>
-	-	-	2,158,526
-	-	-	2,158,526
(2,565,083)	(1,823,244)	172,385	(1,901,222)
<u>9,729,764</u>	<u>2,822,746</u>	<u>(172,385)</u>	<u>28,709,500</u>
<u>\$ 7,164,681</u>	<u>\$ 999,502</u>	<u>\$ -</u>	<u>\$ 26,808,278</u>

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

For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 11,569,000	\$ 11,569,000	\$ 11,642,208	\$ 73,208
Investment earnings	63,000	63,000	34,154	(28,846)
Total Revenues	<u>11,632,000</u>	<u>11,632,000</u>	<u>11,676,362</u>	<u>44,362</u>
Expenditures				
General government	2,476,000	2,476,000	2,469,243	6,757
Principal	5,708,000	5,708,000	5,785,497	(77,497)
Interest and fiscal charges	4,248,000	4,467,280	4,259,243	208,037
Payment to refunding bond escrow agent	-	10,610,232	10,610,232	-
Other debt service - advance refunding escrow	-	1,200,000	1,200,000	-
Total Expenditures	<u>12,432,000</u>	<u>24,461,512</u>	<u>24,324,215</u>	<u>137,297</u>
Revenues (Under) Expenditures	<u>(800,000)</u>	<u>(12,829,512)</u>	<u>(12,647,853)</u>	<u>181,659</u>
Other Financing Sources (Uses)				
Refunding bonds issued	-	13,820,000	13,819,988	(12)
Premium on refunding bonds	-	748,940	748,935	(5)
Payment to advance refunding escrow	-	(3,727,918)	(3,727,920)	(2)
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,841,022</u>	<u>10,841,003</u>	<u>(19)</u>
Net Change in Fund Balance	<u>\$ (800,000)</u>	<u>\$ (1,988,490)</u>	<u>(1,806,850)</u>	<u>\$ 181,640</u>
Beginning fund balance			<u>4,881,211</u>	
Ending Fund Balance			<u>\$ 3,074,361</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, 2013

	<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	\$ 70,000	\$ 70,000	\$ 71,953	\$ 1,953
Investment earnings	150	150	72	(78)
Other revenue	15,000	15,000	20,500	5,500
Total Revenues	<u>85,150</u>	<u>85,150</u>	<u>92,525</u>	<u>7,375</u>
<u>Expenditures</u>				
Public safety	<u>166,700</u>	<u>166,700</u>	<u>62,920</u>	<u>103,780</u>
Net Change in Fund Balance	<u>\$ (81,550)</u>	<u>\$ (81,550)</u>	29,605	<u>\$ 111,155</u>
Beginning fund balance			<u>142,486</u>	
Ending Fund Balance			<u>\$ 172,091</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - MUNICIPAL COURT BUILDING SECURITY
For the Year Ended September 30, 2013

	<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	\$ 32,000	\$ 32,000	\$ 32,332	\$ 332
Investment earnings	100	100	46	(54)
Total Revenues	<u>32,100</u>	<u>32,100</u>	<u>32,378</u>	<u>278</u>
<u>Expenditures</u>				
Public safety	<u>109,950</u>	<u>109,950</u>	<u>108,524</u>	<u>1,426</u>
Net Change in Fund Balance	<u>\$ (77,850)</u>	<u>\$ (77,850)</u>	(76,146)	<u>\$ 1,704</u>
Beginning fund balance			<u>77,665</u>	
Ending Fund Balance			<u>\$ 1,519</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, 2013

	<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	\$ 45,000	\$ 45,000	\$ 43,108	\$ (1,892)
Investment earnings	40	40	8	(32)
Total Revenues	<u>45,040</u>	<u>45,040</u>	<u>43,116</u>	<u>(1,924)</u>
<u>Expenditures</u>				
Public safety	<u>54,500</u>	<u>52,500</u>	<u>42,484</u>	<u>10,016</u>
Net Change in Fund Balance	<u>\$ (9,460)</u>	<u>\$ (7,460)</u>	632	<u>\$ 8,092</u>
Beginning fund balance			<u>14,002</u>	
Ending Fund Balance			<u>\$ 14,634</u>	

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

For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 50	\$ 50	\$ 18	\$ (32)
Other	1,000	1,000	18	(982)
Total Revenues	1,050	1,050	36	(1,014)
<u>Expenditures</u>				
Community services	14,000	14,000	13,680	320
Net Change in Fund Balance	\$ (12,950)	\$ (12,950)	(13,644)	\$ (694)
Beginning fund balance			23,206	
Ending Fund Balance			\$ 9,562	

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, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other taxes	\$ 305,000	\$ 305,000	\$ 360,149	\$ 55,149
Investment earnings	400	400	500	100
Total Revenues	<u>305,400</u>	<u>305,400</u>	<u>360,649</u>	<u>55,249</u>
<u>Expenditures</u>				
Community services	<u>366,840</u>	<u>366,840</u>	<u>322,832</u>	<u>44,008</u>
Net Change in Fund Balance	<u>\$ (61,440)</u>	<u>\$ (61,440)</u>	37,817	<u>\$ 99,257</u>
Beginning fund balance			<u>561,482</u>	
Ending Fund Balance			<u>\$ 599,299</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - PARK FACILITIES AND MAINTENANCE
For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 2,182	\$ 2,182
Intergovernmental	-	-	250,318	250,318
Other revenue	-	-	293,210	293,210
Total Revenues	<u>-</u>	<u>-</u>	<u>545,710</u>	<u>545,710</u>
<u>Expenditures</u>				
Community services	-	1,094,027	489,736	604,291
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (1,094,027)</u>	55,974	<u>\$ 1,150,001</u>
Beginning fund balance			<u>2,225,148</u>	
Ending Fund Balance			<u>\$ 2,281,122</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, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 120	\$ 120
Total Revenues	-	-	120	120
<u>Expenditures</u>				
Capital outlay	-	234,732	138,941	95,791
Net Change in Fund Balance	\$ -	\$ (234,732)	(138,821)	\$ 95,911
Beginning fund balance			139,336	
Ending Fund Balance			\$ 515	

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, 2013

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Investment earnings	\$ 400	\$ 400	\$ 74	\$ (326)
Total Revenues	<u>400</u>	<u>400</u>	<u>74</u>	<u>(326)</u>
<u>Expenditures</u>				
Public safety	<u>143,200</u>	<u>143,200</u>	<u>39,738</u>	<u>103,462</u>
Net Change in Fund Balance	<u>\$ (142,800)</u>	<u>\$ (142,800)</u>	<u>(39,664)</u>	<u>\$ 103,136</u>
Beginning fund balance			<u>219,940</u>	
Ending Fund Balance			<u>\$ 180,276</u>	

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

For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 40	\$ 40	\$ 32	\$ (8)
Other revenue	5,500	5,500	12,985	7,485
Total Revenues	<u>5,540</u>	<u>5,540</u>	<u>13,017</u>	<u>7,477</u>
Expenditures				
Public safety	30,000	30,000	5,061	24,939
Net Change in Fund Balance	<u>\$ (24,460)</u>	<u>\$ (24,460)</u>	7,956	<u>\$ 32,416</u>
Beginning fund balance			<u>38,585</u>	
Ending Fund Balance			<u>\$ 46,541</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - SAFELIGHT PROGRAM
For the Year Ended September 30, 2013

	<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	\$ 1,480,000	\$ 1,480,000	\$ 633,310	\$ (846,690)
Investment earnings	800	800	235	(565)
Total Revenues	<u>1,480,800</u>	<u>1,480,800</u>	<u>633,545</u>	<u>(847,255)</u>
<u>Expenditures</u>				
Public safety	<u>391,270</u>	<u>1,434,620</u>	<u>841,813</u>	<u>592,807</u>
Net Change in Fund Balance	<u>\$ 1,089,530</u>	<u>\$ 46,180</u>	(208,268)	<u>\$ (254,448)</u>
Beginning fund balance			<u>208,275</u>	
Ending Fund Balance			<u>\$ 7</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, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Franchise fees	\$ 195,000	\$ 195,000	\$ 207,460	\$ 12,460
Investment earnings	400	400	417	17
Total Revenues	195,400	195,400	207,877	12,477
<u>Expenditures</u>				
Community services	220,000	220,000	48,505	171,495
Net Change in Fund Balance	\$ (24,600)	\$ (24,600)	159,372	\$ 183,972
Beginning fund balance			448,090	
Ending Fund Balance			\$ 607,462	

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, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 183	\$ 183
Other revenue	-	-	140,983	140,983
Total Revenues	-	-	141,166	141,166
<u>Expenditures</u>				
General government	-	78,677	39,359	39,318
Total Expenditures	-	78,677	39,359	39,318
Revenues Over Expenditures	-	(78,677)	101,807	180,484
<u>Other Financing Sources</u>				
Transfers in	-	-	102,974	102,974
Total Other Financing Sources	-	-	102,974	102,974
Net Change in Fund Balance	\$ -	\$ (78,677)	204,781	\$ 283,458
Beginning fund balance			147,765	
Ending Fund Balance			\$ 352,546	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TAX INCREMENT FINANCING ZONE NO. ONE
For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 2,312	\$ 2,312
Total Revenues	<u>-</u>	<u>-</u>	<u>2,312</u>	<u>2,312</u>
<u>Expenditures</u>				
Public works	-	1,563,075	153,579	1,409,496
Total Expenditures	<u>-</u>	<u>1,563,075</u>	<u>153,579</u>	<u>1,409,496</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (1,563,075)</u>	(151,267)	<u>\$ 1,411,808</u>
Beginning fund balance			<u>2,442,002</u>	
Ending Fund Balance			<u>\$ 2,290,735</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - 4B PARK MAINTENANCE AND OPERATIONS
For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Recreation program fees	\$ -	\$ -	\$ 24,387	\$ 24,387
Investment earnings	250	250	855	605
Contributions	1,277,200	1,277,200	1,405,961	128,761
Total Revenues	<u>1,277,450</u>	<u>1,277,450</u>	<u>1,431,203</u>	<u>153,753</u>
<u>Expenditures</u>				
General government	617,800	617,800	531,184	86,616
Debt service:				
Principal	340,000	340,000	340,000	-
Interest	327,000	327,000	326,061	939
Total Expenditures	<u>1,284,800</u>	<u>1,284,800</u>	<u>1,197,245</u>	<u>87,555</u>
Net Change in Fund Balance	<u>\$ (7,350)</u>	<u>\$ (7,350)</u>	233,958	<u>\$ 241,308</u>
Beginning fund balance			<u>746,090</u>	
Ending Fund Balance			<u>\$ 980,048</u>	

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

For the Year Ended September 30, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 6	\$ 6
Other revenue	100,000	100,000	102,836	2,836
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>102,842</u>	<u>2,842</u>
Expenditures				
Capital outlay	100,000	100,000	98,669	1,331
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>98,669</u>	<u>1,331</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	4,173	<u>\$ 4,173</u>
Beginning fund balance			<u>-</u>	
Ending Fund Balance			<u>\$ 4,173</u>	

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City and to other governmental units, on a cost reimbursement basis.

The **Motor Pool Fund** is used to account for motor pool services, which are financed from systematic transfers from general governmental and enterprise funds.

The **Insurance Trust Fund** is used to account for the costs of providing insurance to the City's employees.

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2013

	Motor Pool	Insurance Trust	Total Funds
<u>Assets</u>			
Current assets:			
Cash and equity in pooled cash	\$ 2,132,729	\$ -	\$ 2,132,729
Inventories	28,217	-	28,217
Total Current Assets	2,160,946	-	2,160,946
Noncurrent assets:			
Capital assets:			
Net depreciable capital assets	5,150,407	-	5,150,407
Total Capital Assets, Net of Accumulated Depreciation	5,150,407	-	5,150,407
Total Noncurrent Assets	5,150,407	-	5,150,407
Total Assets	7,311,353	-	7,311,353
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	56,961	-	56,961
Due to other funds	7,258	-	7,258
Total Liabilities	64,219	-	64,219
<u>Net Position</u>			
Net investment in capital assets	5,150,407	-	5,150,407
Unrestricted	2,096,727	-	2,096,727
Total Net Position	\$ 7,247,134	\$ -	\$ 7,247,134

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2013

	<u>Motor Pool</u>	<u>Insurance Trust</u>	<u>Total Funds</u>
<u>Operating Revenues</u>			
Charges for services	\$ 2,647,258	\$ 4,683,109	\$ 7,330,367
Other	102,479	-	102,479
Total Operating Revenues	<u>2,749,737</u>	<u>4,683,109</u>	<u>7,432,846</u>
<u>Operating Expenses</u>			
Personnel	637,655	-	637,655
Contractual services	5,375	-	5,375
Insurance	-	4,683,109	4,683,109
Repairs and maintenance	650,062	-	650,062
Other supplies and expenses	76,311	-	76,311
Depreciation	1,286,227	-	1,286,227
Total Operating Expenses	<u>2,655,630</u>	<u>4,683,109</u>	<u>7,338,739</u>
Operating Income	<u>94,107</u>	<u>-</u>	<u>94,107</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment earnings	2,095	-	2,095
(Loss) on disposal of capital assets	(50,572)	-	(50,572)
Total Nonoperating (Expenses)	<u>(48,477)</u>	<u>-</u>	<u>(48,477)</u>
Change in Net Position	45,630	-	45,630
Beginning net position	<u>7,201,504</u>	<u>-</u>	<u>7,201,504</u>
Ending Net Position	<u>\$ 7,247,134</u>	<u>\$ -</u>	<u>\$ 7,247,134</u>

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS (Page 1 of 2)

For the Year Ended September 30, 2013

	<u>Motor Pool</u>	<u>Insurance Trust</u>	<u>Total Funds</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 2,749,737	\$ 4,683,109	\$ 7,432,846
Payments to suppliers	(725,604)	(4,683,109)	(5,408,713)
Payments to employees	(637,655)	-	(637,655)
Net Cash Provided by Operating Activities	<u>1,386,478</u>	<u>-</u>	<u>1,386,478</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(1,337,320)	-	(1,337,320)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,337,320)</u>	<u>-</u>	<u>(1,337,320)</u>
<u>Cash Flows from Investing Activities</u>			
Interest on investments	2,095	-	2,095
Net Cash Provided by Investing Activities	<u>2,095</u>	<u>-</u>	<u>2,095</u>
Net Increase in Cash and Equivalents	51,253	-	51,253
	<u>2,081,476</u>	<u>-</u>	<u>2,081,476</u>
Ending Cash and Cash Equivalents	<u>\$ 2,132,729</u>	<u>\$ -</u>	<u>\$ 2,132,729</u>

CITY OF LEAGUE CITY, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS (Page 2 of 2)

For the Year Ended September 30, 2013

	<u>Motor Pool</u>	<u>Insurance Trust</u>	<u>Total Funds</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 94,107	\$ -	\$ 94,107
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,286,227	-	1,286,227
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Inventories	(7,716)	-	(7,716)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	7,313	-	7,313
Due to other funds	6,547	-	6,547
Net Cash Provided by Operating Activities	<u>\$ 1,386,478</u>	<u>\$ -</u>	<u>\$ 1,386,478</u>

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STATISTICAL SECTION

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

Contents	Page
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Financial Trends	142
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	152
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These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity	160
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These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	171
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	175
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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.

CITY OF LEAGUE CITY, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Year			
	2004	2005	2006	2007 ⁽¹⁾
Governmental Activities				
Net investment in capital assets	\$ 98,248,654	\$ 90,101,167	\$ 102,970,171	\$ 120,115,018
Restricted	2,433,271	2,377,634	3,207,987	12,563,358
Unrestricted	9,770,120	11,411,953	13,759,017	14,116,519
Total Governmental Activities Net Position	\$ 110,452,045	\$ 103,890,754	\$ 119,937,175	\$ 146,794,895
Business-Type Activities				
Net investment in capital assets	\$ 28,772,357	\$ 41,368,232	\$ 62,130,257	\$ 64,010,135
Restricted	8,705,633	1,220,920	367,685	651,361
Unrestricted	10,334,014	12,533,421	12,156,662	33,582,396
Total Business-Type Activities Net Position	\$ 47,812,004	\$ 55,122,573	\$ 74,654,604	\$ 98,243,892
Primary Government				
Net investment in capital assets	\$ 127,021,011	\$ 131,469,399	\$ 165,100,428	\$ 184,125,153
Restricted	11,138,904	3,598,554	3,575,672	13,214,719
Unrestricted	20,104,134	23,945,374	25,915,679	47,698,915
Total Primary Government Net Position	\$ 158,264,049	\$ 159,013,327	\$ 194,591,779	\$ 245,038,787

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

(2) Beginning net position for governmental activities for 2008 was restated as a result of 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.

Year					
2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012	2013
\$ 139,477,734	\$ 143,105,466	\$ 138,986,054	\$ 146,115,632	\$ 144,981,676	\$ 158,272,342
10,044,998	9,818,516	10,682,272	11,179,254	9,997,109	11,660,329
19,688,847	21,894,650	20,751,435	21,639,912	19,353,911	18,908,179
<u>\$ 169,211,579</u>	<u>\$ 174,818,632</u>	<u>\$ 170,419,761</u>	<u>\$ 178,934,798</u>	<u>\$ 174,332,696</u>	<u>\$ 188,840,850</u>
\$ 107,478,172	\$ 114,059,051	\$ 114,732,724	\$ 107,392,808	\$ 129,683,003	\$ 143,851,297
455,062	1,860,132	1,983,542	6,907,413	5,767,327	8,728,270
8,265,057	15,442,653	24,171,358	39,807,796	23,530,610	19,620,210
<u>\$ 116,198,291</u>	<u>\$ 131,361,836</u>	<u>\$ 140,887,624</u>	<u>\$ 154,108,017</u>	<u>\$ 158,980,940</u>	<u>\$ 172,199,777</u>
\$ 246,955,906	\$ 257,164,517	\$ 253,718,778	\$ 253,508,440	\$ 274,664,679	\$ 302,123,639
10,500,060	11,678,648	12,665,814	18,086,667	15,764,436	20,388,599
27,953,904	37,337,303	44,922,793	61,447,708	42,884,521	38,528,389
<u>\$ 285,409,870</u>	<u>\$ 306,180,468</u>	<u>\$ 311,307,385</u>	<u>\$ 333,042,815</u>	<u>\$ 333,313,636</u>	<u>\$ 361,040,627</u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Year			
	2004	2005	2006	2007
Expenses				
Governmental activities				
General government	\$ 7,842,146	\$ 9,929,099	\$ 10,653,854	\$ 13,037,659
Public safety	10,366,327	12,374,528	15,002,765	14,326,938
Public works	15,303,239	17,215,751	13,952,069	24,153,330
Community services	3,759,983	4,726,051	5,665,064	5,620,482
Interest and fiscal agent fees	1,908,206	2,203,677	1,968,922	2,559,712
Total Governmental Activities Expenses	<u>39,179,901</u>	<u>46,449,106</u>	<u>47,242,674</u>	<u>59,698,121</u>
Business-Type Activities				
Utilities	13,545,907	14,541,689	14,644,245	14,674,801
Total Business-Type Activities Expenses	<u>13,545,907</u>	<u>14,541,689</u>	<u>14,644,245</u>	<u>14,674,801</u>
Total Expenses	<u>\$ 52,725,808</u>	<u>\$ 60,990,795</u>	<u>\$ 61,886,919</u>	<u>\$ 74,372,922</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 33,376	\$ 29,669	\$ 24,336	\$ 2,006,502
Public safety	1,580,698	1,757,121	1,888,852	730,290
Public works	4,123,813	4,618,669	4,850,922	7,461,978
Community services	609,940	622,078	602,954	530,187
Operating grants and contributions	475,210	1,215,328	1,622,948	764,091
Capital grants and contributions	1,209,402	19,849	18,746,413	24,761,544
Total Governmental Activities Program Revenues	<u>8,032,439</u>	<u>8,262,714</u>	<u>27,736,425</u>	<u>36,254,592</u>
Business-Type Activities				
Charges for services				
Utilities	16,370,309	18,525,851	19,493,923	18,964,428
Operating grants and contributions	-	-	45,000	-
Capital grants and contributions	50,961	4,353,738	14,313,418	18,666,045
Total Business-Type Activities Program Revenues	<u>16,421,270</u>	<u>22,879,589</u>	<u>33,852,341</u>	<u>37,630,473</u>
Total Program Revenues	<u>\$ 24,453,709</u>	<u>\$ 31,142,303</u>	<u>\$ 61,588,766</u>	<u>\$ 73,885,065</u>
Net (Expense)/Revenue				
Governmental activities	\$ (31,147,462)	\$ (38,186,392)	\$ (19,506,249)	\$ (23,443,529)
Business-type activities	2,875,363	8,337,900	19,208,096	22,955,672
Total Net Expense	<u>\$ (28,272,099)</u>	<u>\$ (29,848,492)</u>	<u>\$ (298,153)</u>	<u>\$ (487,857)</u>

Year

	2008	2009	2010	2011	2012	2013
\$	15,841,598	\$ 16,355,732	\$ 13,532,893	\$ 12,458,678	\$ 14,240,323	\$ 14,286,527
	15,614,443	16,643,840	21,024,434	22,078,186	20,758,655	22,726,930
	21,712,338	21,768,197	30,791,382	25,107,956	36,394,958	23,051,561
	6,461,008	6,871,519	6,855,694	4,243,548	6,872,442	7,277,115
	2,546,158	2,823,301	3,500,914	3,868,803	4,541,184	4,902,242
	<u>62,175,545</u>	<u>64,462,589</u>	<u>75,705,317</u>	<u>67,757,171</u>	<u>82,807,562</u>	<u>72,244,375</u>
	15,816,557	18,815,486	20,288,172	21,348,356	23,938,119	24,798,849
	<u>15,816,557</u>	<u>18,815,486</u>	<u>20,288,172</u>	<u>21,348,356</u>	<u>23,938,119</u>	<u>24,798,849</u>
\$	<u>77,992,102</u>	<u>\$ 83,278,075</u>	<u>\$ 95,993,489</u>	<u>\$ 89,105,527</u>	<u>\$ 106,745,681</u>	<u>\$ 97,043,224</u>
\$	985,022	\$ 1,564,845	\$ 3,425,079	\$ 3,397,307	\$ 3,294,614	\$ 2,799,880
	730,290	730,290	730,290	-	-	-
	7,997,532	7,186,901	7,565,705	4,659,274	5,041,613	5,531,374
	345,820	884,338	1,266,482	4,342,373	4,635,264	4,725,094
	3,090,510	4,888,926	2,283,291	4,933,663	4,281,645	3,955,289
	21,942,670	6,710,627	3,062,763	5,154,406	3,750,170	10,591,877
	<u>35,091,844</u>	<u>21,965,927</u>	<u>18,333,610</u>	<u>22,487,023</u>	<u>21,003,306</u>	<u>27,603,514</u>
	23,209,601	27,278,933	25,731,620	30,646,567	27,596,741	29,854,054
	105,075	150,107	131,943	-	-	-
	12,064,459	7,029,886	4,671,105	4,410,184	4,000,723	9,183,573
	<u>35,379,135</u>	<u>34,458,926</u>	<u>30,534,668</u>	<u>35,056,751</u>	<u>31,597,464</u>	<u>39,037,627</u>
\$	<u>70,470,979</u>	<u>\$ 56,424,853</u>	<u>\$ 48,868,278</u>	<u>\$ 57,543,774</u>	<u>\$ 52,600,770</u>	<u>\$ 66,641,141</u>
\$	(27,083,701)	\$ (42,496,662)	\$ (57,371,707)	\$ (45,270,148)	\$ (61,804,256)	\$ (44,640,861)
	19,562,578	15,643,440	10,246,496	13,708,395	7,659,345	14,238,778
\$	<u>(7,521,123)</u>	<u>\$ (26,853,222)</u>	<u>\$ (47,125,211)</u>	<u>\$ (31,561,753)</u>	<u>\$ (54,144,911)</u>	<u>\$ (30,402,083)</u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Year			
	2004	2005	2006	2007 ⁽¹⁾
General Revenues and Other Changes in Net Position				
Governmental activities				
Ad valorem taxes	\$ 18,173,498	\$ 20,269,723	\$ 23,161,785	\$ 29,212,712
Franchise	2,984,317	3,301,888	3,486,132	7,980,512
Sales	4,633,633	5,144,498	6,303,377	4,033,855
Investment earnings	509,070	842,941	1,301,752	2,032,052
Other revenues	734,538	190,043	105,634	1,827,752
Gain (loss) on sale of capital assets	-	-	-	(52,476)
Transfers	1,746,227	1,476,347	1,169,449	1,278,164
Total Governmental Activities	<u>28,781,283</u>	<u>31,225,440</u>	<u>35,528,129</u>	<u>46,312,571</u>
Business-type activities				
Investment earnings	310,942	848,677	1,493,383	1,867,641
Other revenues	2,101,036	-	-	-
Gain on sale of capital assets	-	-	-	44,139
Transfers	(1,746,227)	(1,476,347)	(1,169,449)	(1,278,164)
Total Business-Type Activities	<u>665,751</u>	<u>(627,670)</u>	<u>323,934</u>	<u>633,616</u>
Total Primary Government	<u>\$ 29,447,034</u>	<u>\$ 30,597,770</u>	<u>\$ 35,852,063</u>	<u>\$ 46,946,187</u>
Change in Net Position				
Governmental activities	\$ (2,366,179)	\$ (6,960,952)	\$ 16,021,880	\$ 22,869,042
Business-type activities	3,541,114	7,710,230	19,532,030	23,589,288
Total Change in Net Position	<u>\$ 1,174,935</u>	<u>\$ 749,278</u>	<u>\$ 35,553,910</u>	<u>\$ 46,458,330</u>

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

(2) Beginning net position for governmental activities for 2008 was restated as a result of 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.

Year					
2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012	2013
\$ 29,800,358	\$ 34,255,809	\$ 36,162,871	\$ 36,285,502	\$ 36,513,595	\$ 36,710,803
4,463,564	4,613,734	4,831,866	4,927,378	5,187,232	5,284,383
10,171,516	10,938,166	10,359,528	11,167,925	12,283,836	12,645,222
1,364,833	406,217	192,401	146,199	291,101	122,325
793,599	716,331	473,164	572,180	1,635,709	2,272,354
-	30,410	-	-	-	(50,572)
3,353,160	1,000,000	953,006	686,001	2,240,000	2,250,000
<u>49,947,030</u>	<u>51,960,667</u>	<u>52,972,836</u>	<u>53,785,185</u>	<u>58,151,473</u>	<u>59,234,515</u>
1,742,300	516,379	214,491	196,367	357,077	120,856
-	-	17,807	1,632	-	-
2,681	3,726	-	-	636	2,067
<u>(3,353,160)</u>	<u>(1,000,000)</u>	<u>(953,006)</u>	<u>(686,001)</u>	<u>(2,240,000)</u>	<u>(2,250,000)</u>
<u>(1,608,179)</u>	<u>(479,895)</u>	<u>(720,708)</u>	<u>(488,002)</u>	<u>(1,882,287)</u>	<u>(2,127,077)</u>
<u>\$ 48,338,851</u>	<u>\$ 51,480,772</u>	<u>\$ 52,252,128</u>	<u>\$ 53,297,183</u>	<u>\$ 56,269,186</u>	<u>\$ 57,107,438</u>
\$ 22,863,329	\$ 9,464,005	\$ (4,398,871)	\$ 8,515,037	\$ (3,652,783)	\$ 14,593,654
17,954,399	15,163,545	9,525,788	13,220,393	5,777,058	12,111,701
<u>\$ 40,817,728</u>	<u>\$ 24,627,550</u>	<u>\$ 5,126,917</u>	<u>\$ 21,735,430</u>	<u>\$ 2,124,275</u>	<u>\$ 26,705,355</u>

CITY OF LEAGUE CITY, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years ⁽⁴⁾

(modified accrual basis of accounting)

	Year			
	2004	2005	2006	2007 ⁽¹⁾
General Fund				
Reserved	\$ 573,495	\$ 634,782	\$ 346,826	\$ 367,413
Unreserved	12,371,313	11,055,917	14,135,117	16,672,251
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 12,944,808</u>	<u>\$ 11,690,699</u>	<u>\$ 14,481,943</u>	<u>\$ 17,039,664</u>
All Other Governmental Funds				
Reserved	\$ 1,143,803	\$ 637,068	\$ 942,172	\$ 1,074,423
Unreserved, reported in:				
Special revenue funds	1,274,232	1,762,444	2,241,932	6,186,017
Capital project funds	13,516,099	5,730,204	9,246,133	5,608,438
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 15,934,134</u>	<u>\$ 8,129,716</u>	<u>\$ 12,430,237</u>	<u>\$ 12,868,878</u>

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

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

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

(4) GASB Statement No 54 requirement for statistical data is ten years with retroactive implementation encouraged. Only two fiscal years are available at this time. The City chose not to restate 2004 to 2010.

Year					
2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012	2013
\$ 372,661	\$ 383,708	\$ 375,744	\$ -	\$ -	\$ -
17,925,044	20,554,414	21,289,604	-	-	-
-	-	-	14,159	25,362	22,236
-	-	-	15,811,078	16,331,557	12,259,729
-	-	-	4,900,640	-	4,081,154
<u>\$ 18,297,705</u>	<u>\$ 20,938,122</u>	<u>\$ 21,665,348</u>	<u>\$ 20,725,877</u>	<u>\$ 16,356,919</u>	<u>\$ 16,363,119</u>
\$ 1,175,395	\$ 2,463,898	\$ 2,128,323	\$ -	\$ -	\$ -
7,307,631	6,124,122	8,625,122	-	-	-
19,761,965	18,434,939	27,621,801	-	-	-
-	-	-	11,253,290	65,063,051	51,653,605
-	-	-	42,998,020	6,555,898	8,121,107
-	-	-	-	(224,122)	(305,246)
<u>\$ 28,244,991</u>	<u>\$ 27,022,959</u>	<u>\$ 38,375,246</u>	<u>\$ 54,251,310</u>	<u>\$ 71,394,827</u>	<u>\$ 59,469,466</u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years
(modified accrual basis of accounting)

	Year			
	2004	2005	2006	2007 ⁽¹⁾
Revenues				
Ad valorem taxes	\$ 18,384,555	\$ 20,246,369	\$ 23,124,758	\$ 29,198,771
Sales taxes	4,633,633	4,878,398	6,303,377	7,980,512
Franchise and local taxes	2,984,317	3,567,988	3,486,132	4,033,855
Licenses and permits	2,722,313	2,460,148	1,440,637	2,087,633
Fines and forfeitures	1,042,429	1,428,976	2,355,933	2,655,768
Charges for services	1,910,953	3,126,831	3,521,772	1,631,013
Intergovernmental	2,083,145	721,441	1,212,533	3,979,054
Investment earnings	500,216	833,275	1,279,331	1,827,752
Other revenues	996,818	635,951	654,930	2,767,174
Total Revenues	<u>35,258,379</u>	<u>37,899,377</u>	<u>43,379,403</u>	<u>56,161,532</u>
Expenditures				
General government	8,163,493	9,205,493	9,903,020	13,034,389
Public safety	9,433,903	11,336,910	12,318,494	13,255,090
Public works	7,462,520	8,906,921	8,825,789	15,387,027
Community services	4,527,100	3,715,646	3,726,145	5,448,799
Capital outlay	15,543,223	24,208,958	1,863,203	4,466,279
Debt service				
Principal	1,890,451	2,256,819	2,797,966	5,705,866
Interest	2,110,050	2,221,819	2,166,036	2,596,624
Payment to refunding bond escrow agent	-	-	-	-
Other debt service - refunding escrow	-	-	-	-
Total Expenditures	<u>49,130,740</u>	<u>61,852,566</u>	<u>41,600,653</u>	<u>59,894,074</u>
Excess of Revenues Over (Under) Expenditures	(13,872,361)	(23,953,189)	1,778,750	(3,732,542)
Other Financing Sources (Uses)				
Issuance of debt	5,070,000	14,175,000	4,695,000	5,211,280
Premium on debt	-	-	-	59,756
Payment to escrow agent	-	-	-	(5,190,272)
Transfers in	2,368,363	3,898,519	4,190,163	2,182,522
Transfers out	(1,351,651)	(3,179,293)	(3,459,087)	(1,757,396)
Total Other Financing Sources	<u>6,086,712</u>	<u>14,894,226</u>	<u>5,426,076</u>	<u>505,890</u>
Net Change in Fund Balances	<u>\$ (7,785,649)</u>	<u>\$ (9,058,963)</u>	<u>\$ 7,204,826</u>	<u>\$ (3,226,652)</u>
Debt service as a percentage of noncapital expenditures	12.43%	11.53%	12.56%	14.78%

(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.

		Year									
		2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012	2013				
\$	29,764,055	\$	34,309,728	\$	36,066,060	\$	36,276,854	\$	36,423,943	\$	36,673,995
	10,171,516		10,938,166		10,359,528		11,167,925		12,283,836		12,645,222
	4,145,479		4,337,944		4,831,866		4,657,634		4,836,231		4,923,895
	2,746,066		1,727,849		2,079,481		1,785,027		2,125,034		2,579,909
	1,399,113		1,570,913		3,444,938		3,493,552		3,282,865		2,380,961
	3,794,687		4,333,205		4,715,349		4,342,373		4,635,264		4,725,094
	3,090,510		4,888,926		2,283,291		3,701,122		3,101,884		2,302,433
	1,308,255		388,877		189,583		145,749		289,340		120,230
	3,644,572		3,732,596		3,240,811		4,948,712		6,083,050		7,237,163
	<u>60,064,253</u>		<u>66,228,204</u>		<u>67,210,907</u>		<u>70,518,948</u>		<u>73,061,447</u>		<u>73,588,902</u>
	15,725,914		16,256,094		13,142,475		12,794,025		14,099,732		13,934,199
	15,117,809		16,744,221		19,954,328		21,177,179		21,977,702		21,808,449
	15,144,613		15,150,007		26,658,640		15,881,347		21,498,674		15,649,112
	5,322,367		5,289,925		5,573,819		5,128,899		5,036,836		5,894,145
	1,561,742		2,183,987		3,073,192		11,349,256		23,491,565		16,237,076
	3,467,065		3,429,370		5,806,220		6,478,159		13,405,095		8,140,497
	2,419,857		2,982,373		3,522,720		3,849,491		4,670,711		5,039,856
	-		-		-		-		-		10,610,232
	-		-		-		-		3,000,000		1,200,000
	<u>58,759,367</u>		<u>62,035,977</u>		<u>77,731,394</u>		<u>76,658,356</u>		<u>107,180,315</u>		<u>98,513,566</u>
	1,304,886		4,192,227		(10,520,487)		(6,139,408)		(34,118,868)		(24,924,664)
	15,500,000		-		21,600,000		20,390,000		53,510,000		13,819,988
	1,550		-		-		-		6,485,644		748,935
	-		-		-		-		(15,178,720)		(3,727,920)
	1,687,892		2,876,538		1,699,862		4,766,825		8,419,220		4,408,526
	(1,413,529)		(1,876,538)		(699,862)		(4,080,824)		(6,342,720)		(2,158,526)
	<u>15,775,913</u>		<u>1,000,000</u>		<u>22,600,000</u>		<u>21,076,001</u>		<u>46,893,424</u>		<u>13,091,003</u>
\$	<u>17,080,799</u>	\$	<u>5,192,227</u>	\$	<u>12,079,513</u>	\$	<u>14,936,593</u>	\$	<u>12,774,556</u>	\$	<u>(11,833,661)</u>
	10.53%		10.76%		12.80%		15.79%		20.74%		15.94%

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

	Year			
	2004	2005	2006	2007
Residential Property	\$ 2,417,485,421	\$ 2,820,562,981	\$ 3,167,696,117	\$ 3,563,555,414
Commercial Property	626,996,247	709,626,583	689,613,117	800,390,107
Personal Property	179,980,282	181,691,376	189,632,613	182,019,787
Less: Tax Exempt Property	390,712,853	460,681,302	459,644,830	515,115,893
Total Assessed Value (1)	<u>\$ 2,833,749,097</u>	<u>\$ 3,251,199,638</u>	<u>\$ 3,587,297,017</u>	<u>\$ 4,030,849,415</u>
Total Direct Tax Rate	0.64000	0.63000	0.62750	0.60880

Source: Tax department of the City.

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

Year

2008	2009	2010	2011	2012	2013
\$ 4,099,464,031	\$ 4,523,232,121	\$ 4,726,069,917	\$ 4,917,368,181	\$ 5,010,019,627	\$ 5,050,587,502
885,723,235	1,055,528,622	1,049,240,338	1,158,032,589	1,130,809,114	1,112,465,056
236,407,969	258,974,695	295,195,664	287,039,236	283,385,238	308,323,712
883,467,033	996,768,333	1,006,635,521	1,124,200,606	1,125,144,523	1,131,754,874
<u>\$ 4,338,128,202</u>	<u>\$ 4,840,967,105</u>	<u>\$ 5,063,870,398</u>	<u>\$ 5,238,239,400</u>	<u>\$ 5,299,069,456</u>	<u>\$ 5,339,621,396</u>
0.60880	0.63000	0.63000	0.61600	0.61000	0.59700

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

City of League City:	Year			
	2004	2005	2006	2007
Operating tax rate	\$ 0.428800	\$ 0.429400	\$ 0.391900	\$ 0.386514
Debt service tax rate	0.211200	0.200600	0.235600	0.222286
Total Direct Rates	\$ 0.640000	\$ 0.630000	\$ 0.627500	\$ 0.608800
Clear Creek Independent School District	\$ 1.730000	\$ 1.745000	\$ 1.775000	\$ 1.630000
College of the Mainland, Jr. College District	0.263060	0.245250	0.243020	0.233450
Dickinson Independent School District	1.743000	1.738000	1.751000	1.724000
Santa Fe Independent School District	1.570000	1.570000	1.570000	1.445000
Galveston County (includes Road & Flood)	0.640000	0.638750	0.628750	0.598750
Galveston Co. Mun. Utility District No. 2	0.390000	0.365000	0.300000	0.260000
Galveston Co. Mun. Utility District No. 3	0.320000	0.250000	0.210000	0.160000
Galveston Co. Mun. Utility District No. 6	0.700000	0.700000	0.640000	0.480000
Galveston Co. Mun. Utility District No. 13	0.860000	0.760000	0.710000	0.630000
Galveston Co. Mun. Utility District No. 14	0.970000	0.920000	0.900000	0.880000
Galveston Co. Mun. Utility District No. 15	0.860000	0.830000	0.825000	0.825000
Tara Glen Mun. Utility District	0.070000	0.700000	0.670000	0.670000
Bay Colony West Mun. Utility District		1.000000	1.000000	1.000000
Galveston Co. Mun. Utility District No. 39	0.900000	0.900000	0.900000	0.900000
Galveston Co. Mun. Utility District No. 43		1.000000	1.000000	1.000000
Galveston Co. Mun. Utility District No. 44				1.000000
Galveston Co. Mun. Utility District No. 45			1.000000	1.000000
Galveston Co. Mun. Utility District No. 46				1.000000
South Shore Harbour Mun. Utility District No. 2	0.520000	0.450000	0.340000	0.290000
South Shore Harbour Mun. Utility District No. 3	0.240000	0.220000	0.200000	0.180000
South Shore Harbour Mun. Utility District No. 6	0.350000	0.310000	0.310000	0.300000
South Shore Harbour Mun. Utility District No. 7	1.000000	1.000000	0.950000	0.820000
Total Direct and Overlapping Rates (1)	\$ 13.766060	\$ 15.972000	\$ 16.550270	\$ 17.635000

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

Source: Tax department records of the various governments.

Year					
2008	2009	2010	2011	2012	2013
\$ 0.404000	\$ 0.413932	\$ 0.408871	\$ 0.396729	\$ 0.385001	\$ 0.374999
0.204800	0.216068	0.221129	0.219271	0.224999	0.222001
<u>\$ 0.608800</u>	<u>\$ 0.630000</u>	<u>\$ 0.630000</u>	<u>\$ 0.616000</u>	<u>\$ 0.610000</u>	<u>\$ 0.597000</u>
\$ 1.320000	\$ 1.360000	\$ 1.360000	\$ 1.360000	\$ 1.360000	\$ 1.360000
0.227380	0.221640	0.221640	0.233890	0.232020	0.225970
1.430000	1.500000	1.504000	1.540000	1.540000	1.540000
1.160000	1.160000	1.330200	1.419200	1.495000	1.453900
0.580000	0.570000	0.630000	0.628750	0.621350	0.608770
0.250000	0.240000	0.240000	0.240000	0.260000	0.270000
0.140000	0.130000	0.120000	0.120000	0.120000	0.120000
0.440000	0.440000	0.400000	0.400000	0.422000	0.439000
0.610000	0.585000	0.560000	0.550000	0.540000	0.540000
0.880000	0.870000	0.870000	0.860000	0.860000	0.780000
0.825000	0.795000	0.790000	0.790000	0.790000	0.780000
0.670000	0.670000	0.670000	0.670000	0.670000	0.660000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
0.900000	0.900000	0.900000	0.900000	0.900000	0.880000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
0.800000	0.800000	0.800000	0.800000	0.800000	0.800000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
0.290000	0.240000	0.220000	0.170000	-	-
0.170000	0.160000	0.160000	-	-	-
0.300000	0.290000	0.290000	0.290000	0.290000	0.290000
0.800000	0.750000	0.700000	0.650000	0.600000	0.550000
<u>\$ 16.401180</u>	<u>\$ 16.311640</u>	<u>\$ 16.395840</u>	<u>\$ 16.237840</u>	<u>\$ 16.110370</u>	<u>\$ 15.894640</u>

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CITY OF LEAGUE CITY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2013			2004		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Komatsu America Corp	\$ 38,431,839	1	0.72%			
Inland America LC Victory Lakes	26,902,140	2	0.50%	\$ 25,046,670	2	0.88%
Texas-New Mexico Power Co	26,140,010	3	0.49%	12,708,960	6	0.45%
American National Insurance Co	24,631,475	4	0.46%			
Sunstone Broadstone LP	19,930,700	5	0.37%			
League City Towne Center LTD	19,643,690	6	0.37%			
GS Beacon Lakes LP	18,576,440	7	0.35%			
GTE Southwest Inc	17,787,800	8	0.33%			
Haven at South Shore LP	17,219,450	9	0.32%			
Amalfi Tuscan Lake Investors LLC	16,404,660	10	0.31%			
Fairways at South Shore LTD				30,997,650	1	1.09%
South Shore Harbour Development				19,314,730	3	0.68%
Verizon Southwest				17,444,800	4	0.62%
SDGA Investments, Inc				13,591,820	5	0.48%
Palm Investors, LP				12,172,000	7	0.43%
South Shore Lakes LTD				12,161,280	8	0.43%
Clear Lake Partners				11,534,390	9	0.41%
Drever Morrings, LP				10,275,000	10	0.36%
Subtotal	\$ 225,668,204		4.23%	\$ 165,247,300		5.83%
Other Taxpayers	5,113,953,192		95.77%	2,668,501,797		94.17%
Total ⁽¹⁾	\$ 5,339,621,396		100.00%	\$ 2,833,749,097		100.00%

Source: Tax department records of the City.

(1) Net of exemptions and abatements

CITY OF LEAGUE CITY, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount Collected	Percentage of Levy
2004	2003	\$ 0.640000	\$ 18,925,928	\$ 18,510,765	97.81%
2005	2004	\$ 0.630000	\$ 20,703,814	\$ 20,338,727	98.24%
2006	2005	\$ 0.627500	\$ 23,402,712	\$ 23,019,283	98.36%
2007	2006	\$ 0.608800	\$ 25,670,846	\$ 25,256,206	98.38%
2008	2007	\$ 0.608800	\$ 26,918,178	\$ 26,441,828	98.23%
2009	2008	\$ 0.630000	\$ 30,867,178	\$ 30,476,981	98.74%
2010	2009	\$ 0.630000	\$ 32,875,370	\$ 32,560,792	99.04%
2011	2010	\$ 0.616000	\$ 32,814,072	\$ 32,527,089	99.13%
2012	2011	\$ 0.610000	\$ 33,300,629	\$ 32,955,026	98.96%
2013	2012	\$ 0.597000	\$ 33,348,230	\$ 33,099,293	99.25%

Source: Tax Department records of the City

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$ 375,044		\$ 18,885,809	99.79%
\$ 321,845		\$ 20,660,572	99.79%
\$ 339,353		\$ 23,358,636	99.81%
\$ 358,869		\$ 25,615,075	99.78%
\$ 413,591		\$ 26,855,419	99.77%
\$ 347,066		\$ 30,824,047	99.86%
\$ 267,889		\$ 32,828,681	99.86%
\$ 220,516		\$ 32,747,605	99.80%
\$ 206,928		\$ 33,161,954	99.58%
\$ N/A		\$ 33,099,293	99.25%

CITY OF LEAGUE CITY, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2004	2005	2006	2007
Governmental Activities:				
General obligation bonds	\$ 19,094,836	\$ 17,462,650	\$ 16,315,283	\$ 16,580,901
Certificates of obligation	29,344,644	42,494,787	45,368,673	41,635,504
Subtotal	48,439,480	59,957,437	61,683,956	58,216,405
Business-Type Activities:				
General obligation bonds	23,350,166	22,417,350	20,359,717	23,564,099
Certificates of obligation	7,225,356	6,795,213	6,351,328	739,496
Revenue bonds	14,105,000	25,835,000	24,550,000	23,240,000
Contract revenue bonds	6,950,985	6,329,971	5,700,000	5,170,000
Subtotal	51,631,507	61,377,534	56,961,045	52,713,595
Government-Wide:				
General obligation bonds	42,445,002	39,880,000	36,675,000	40,145,000
Certificates of obligation	36,570,000	49,290,000	51,720,001	42,375,000
Revenue bonds	14,105,000	25,835,000	24,550,000	23,240,000
Contract revenue bonds	6,950,985	6,329,971	5,700,000	5,170,000
Total Government-Wide	\$ 100,070,987	\$ 121,334,971	\$ 118,645,001	\$ 110,930,000
Estimated Full Property Value	\$ 2,833,749,097	\$ 3,251,199,638	\$ 3,587,297,017	\$ 4,030,849,415
Percentage of Full Property Value:				
Governmental activities	1.71%	1.84%	1.72%	1.44%
Business-type activities	1.82%	1.89%	1.59%	1.31%
Government-wide	3.53%	3.73%	3.31%	2.75%
Population	62,300	67,300	72,000	76,700
Debt Per Capita:				
Governmental activities	\$ 778	\$ 891	\$ 857	\$ 759
Business-type activities	\$ 829	\$ 912	\$ 791	\$ 687
Government-wide	\$ 1,606	\$ 1,803	\$ 1,648	\$ 1,446

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

The debt amounts presented from 2004 to 2012 were not netted with related premiums, discounts, and adjustments.

	Year					
	2008	2009	2010	2011	2012	2013
\$	15,014,339	\$ 13,189,971	\$ 11,163,750	\$ 9,660,590	\$ 27,150,497	\$ 35,373,070
	55,235,000	53,630,000	71,450,000	87,550,000	96,160,000	85,207,932
	70,249,339	66,819,971	82,613,750	97,210,590	123,310,497	120,581,002
	20,745,660	17,405,030	13,721,250	9,924,409	17,159,503	15,799,672
	207,000	-	-	-	51,925,000	54,854,937
	48,685,000	84,540,000	83,175,000	94,835,000	81,400,000	78,499,256
	4,615,000	4,040,000	3,440,000	2,720,000	2,055,000	1,916,812
	74,252,660	105,985,030	100,336,250	107,479,409	152,539,503	151,070,677
	35,759,999	30,595,001	24,885,000	19,584,999	44,310,000	51,172,742
	55,442,000	53,630,000	71,450,000	87,550,000	148,085,000	140,062,869
	48,685,000	84,540,000	83,175,000	94,835,000	81,400,000	78,499,256
	4,615,000	4,040,000	3,440,000	2,720,000	2,055,000	1,916,812
\$	144,501,999	\$ 172,805,001	\$ 182,950,000	\$ 204,689,999	\$ 275,850,000	\$ 271,651,679
\$	4,338,128,202	\$ 4,840,967,105	\$ 5,063,870,398	\$ 5,238,239,400	\$ 5,299,069,456	\$ 5,339,621,396
	1.62%	1.38%	1.63%	1.86%	2.33%	2.26%
	1.71%	2.19%	1.98%	2.05%	2.88%	2.83%
	3.33%	3.57%	3.61%	3.91%	5.21%	5.09%
	79,300	81,300	83,560	85,300	87,400	90,300
\$	886	\$ 822	\$ 989	\$ 1,140	\$ 1,411	\$ 1,335
\$	936	\$ 1,304	\$ 1,201	\$ 1,260	\$ 1,745	\$ 1,673
\$	1,822	\$ 2,126	\$ 2,189	\$ 2,400	\$ 3,156	\$ 3,008

CITY OF LEAGUE CITY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Years

	Year			
	2004	2005	2006	2007
Estimated Actual Taxable Value of Property	\$ 2,833,749,097	\$ 3,251,199,638	\$ 3,587,297,017	\$ 4,030,849,415
General obligation bonds	\$ 42,445,002	\$ 39,880,000	\$ 36,675,000	\$ 40,145,000
Certificates of obligation	36,570,000	49,290,000	51,720,001	42,375,000
Less: amounts available in debt service fund	1,143,803	637,068	942,172	1,074,250
Total	<u>\$ 77,871,199</u>	<u>\$ 88,532,932</u>	<u>\$ 87,452,829</u>	<u>\$ 81,445,750</u>
Percentage of Estimated Actual Taxable Value of Property	2.75%	2.72%	2.44%	2.02%
Population	62,300	67,300	72,000	76,700
Per Capita	\$ 1,250	\$ 1,315	\$ 1,215	\$ 1,062

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

The debt amounts presented from 2004 to 2012 were not netted with related premiums, discounts, and adjustments.

Year					
2008	2009	2010	2011	2012	2013
\$ 4,338,128,202	\$ 4,840,967,105	\$ 5,063,870,398	\$ 5,238,239,400	\$ 5,299,069,456	\$ 5,339,621,396
\$ 35,759,999	\$ 30,595,001	\$ 24,885,000	\$ 19,584,999	\$ 44,310,000	\$ 51,172,742
55,442,000	53,630,000	71,450,000	87,550,000	148,085,000	140,062,869
1,175,395	2,463,899	2,128,323	2,733,382	4,881,211	3,074,361
<u>\$ 90,026,604</u>	<u>\$ 81,761,102</u>	<u>\$ 94,206,677</u>	<u>\$ 104,401,617</u>	<u>\$ 187,513,789</u>	<u>\$ 188,161,250</u>
2.08%	1.69%	1.86%	1.99%	3.54%	3.52%
79,300	81,300	83,560	85,300	87,400	90,300
\$ 1,135	\$ 1,006	\$ 1,127	\$ 1,224	\$ 2,145	\$ 2,084

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CITY OF LEAGUE CITY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2013

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Amount Applicable to Primary Government</u>
Clear Creek Independent School District	\$ 793,080,000	29.44%	\$ 233,482,752
Dickinson Independent School District	\$ 221,962,962	26.30%	\$ 58,376,259
Santa Fe Independent School District	\$ 73,385,000	2.39%	\$ 1,753,902
Galveston County	\$ 316,833,434	23.16%	\$ 73,378,623
Galveston Co. Mun. Utility District No. 2	\$ 960,000	100.00%	\$ 960,000
Galveston Co. Mun. Utility District No. 3	\$ 1,920,000	100.00%	\$ 1,920,000
Galveston Co. Mun. Utility District No. 6	\$ 13,945,000	100.00%	\$ 13,945,000
Galveston Co. Mun. Utility District No. 13	\$ 5,045,000	100.00%	\$ 5,045,000
Galveston Co. Mun. Utility District No. 14	\$ 11,720,000	100.00%	\$ 11,720,000
Galveston Co. Mun. Utility District No. 15	\$ 11,945,000	100.00%	\$ 11,945,000
Galveston Co. Mun. Utility District No. 39	\$ 23,955,000	100.00%	\$ 23,955,000
Galveston Co. Mun. Utility District No. 43	\$ 26,605,000	100.00%	\$ 26,605,000
Galveston Co. Mun. Utility District No. 44	\$ 6,920,000	100.00%	\$ 6,920,000
Galveston Co. Mun. Utility District No. 46	\$ 19,070,000	100.00%	\$ 19,070,000
Bay Colony West Mun. Utility District	\$ 9,250,000	100.00%	\$ 9,250,000
Tara Glen Mun. Utility District	\$ 2,515,000	100.00%	\$ 2,515,000
South Shore Harbour Mun. Utility District No. 6	\$ 2,460,000	100.00%	\$ 2,460,000
South Shore Harbour Mun. Utility District No. 7	\$ 20,460,000	100.00%	\$ 20,460,000
Harris County	\$ 1,773,252,190	0.03%	\$ 531,976
Harris County Department of Education	\$ 7,605,000	0.03%	\$ 2,282
Harris County Flood Control District	\$ 96,470,000	0.03%	\$ 28,941
Port of Houston Authority	\$ 731,969,397	0.03%	\$ 219,591
Subtotal, overlapping debt			\$ 524,544,325
City Direct Debt		100.000%	<u>\$ 120,581,002</u>
Total Direct and Overlapping Debt			<u><u>\$ 645,125,327</u></u>
Population			90,300
Overlapping Debt Per Capita			<u>\$ 5,809</u>
Direct and Overlapping Debt Per Capita			<u><u>\$ 7,144</u></u>

Source: Tax department records of the various governments.

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

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

CITY OF LEAGUE CITY, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Year			
	2004	2005	2006	2007
Debt limit ⁽¹⁾	\$ 283,374,910	\$ 325,119,964	\$ 358,729,702	\$ 403,084,942
Total net debt applicable to limit	47,295,677	59,320,369	60,741,784	57,142,155
Legal debt margin	<u>\$ 236,079,233</u>	<u>\$ 265,799,595</u>	<u>\$ 297,987,918</u>	<u>\$ 345,942,787</u>
Total net debt applicable to the limit as a percentage of debt limit	16.69%	18.25%	16.93%	14.18%
Legal Debt Margin Calculation				
Assessed value	\$ 2,833,749,097	\$ 3,251,199,638	\$ 3,587,297,017	\$ 4,030,849,415
Debt limit (10% of assessed value)	283,374,910	325,119,964	358,729,702	403,084,942
Debt applicable to limit:				
General obligation bonds	19,094,836	17,462,650	16,315,283	16,580,901
Certificates of obligation	29,344,644	42,494,787	45,368,673	41,635,504
Less: amount set aside for repayment of general obligation debt	<u>(1,143,803)</u>	<u>(637,068)</u>	<u>(942,172)</u>	<u>(1,074,250)</u>
Total net debt applicable to limit	<u>47,295,677</u>	<u>59,320,369</u>	<u>60,741,784</u>	<u>57,142,155</u>
Legal debt margin	<u>\$ 236,079,233</u>	<u>\$ 265,799,595</u>	<u>\$ 297,987,918</u>	<u>\$ 345,942,787</u>

Note: There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.50 per \$100 valuation assessed at 100% of the market value. Ten percent (10%) of the assessed value has been applied as a "rule of thumb" procedure.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 433,812,820	\$ 484,096,711	\$ 506,387,040	\$ 523,823,940	\$ 529,906,946	\$ 533,962,140
69,073,944	64,356,070	80,485,427	94,477,208	118,429,286	110,800,627
<u>\$ 364,738,876</u>	<u>\$ 419,740,641</u>	<u>\$ 425,901,613</u>	<u>\$ 429,346,732</u>	<u>\$ 411,477,660</u>	<u>\$ 423,161,513</u>
15.92%	13.29%	15.89%	18.04%	22.35%	20.75%
\$ 4,338,128,202	\$ 4,840,967,105	\$ 5,063,870,398	\$ 5,238,239,400	\$ 5,299,069,456	\$ 5,339,621,396
433,812,820	484,096,711	506,387,040	523,823,940	529,906,946	533,962,140
15,014,339	13,189,969	11,163,750	9,660,590	27,150,497	32,829,988
55,235,000	53,630,000	71,450,000	87,550,000	96,160,000	81,045,000
(1,175,395)	(2,463,899)	(2,128,323)	(2,733,382)	(4,881,211)	(3,074,361)
<u>69,073,944</u>	<u>64,356,070</u>	<u>80,485,427</u>	<u>94,477,208</u>	<u>118,429,286</u>	<u>110,800,627</u>
<u>\$ 364,738,876</u>	<u>\$ 419,740,641</u>	<u>\$ 425,901,613</u>	<u>\$ 429,346,732</u>	<u>\$ 411,477,660</u>	<u>\$ 423,161,513</u>

CITY OF LEAGUE CITY, TEXAS

PLEGDED-REVENUE COVERAGE

Last Ten Years

	Year			
	2004	2005	2006	2007
Gross Revenues (1)	\$ 16,696,689	\$ 19,374,530	\$ 20,987,306	\$ 20,876,208
Operating Expenses (2)	\$ 10,151,705	\$ 10,569,401	\$ 11,765,081	\$ 12,380,882
Net Revenues Available for Debt Service	\$ 6,544,984	\$ 8,805,129	\$ 9,222,225	\$ 8,495,326
Debt Service Requirements (3)				
Principal	\$ 1,330,000	\$ 1,235,000	\$ 1,250,000	\$ 1,330,000
Interest	1,066,870	739,526	685,519	950,533
Total	\$ 2,396,870	\$ 1,974,526	\$ 1,935,519	\$ 2,280,533
Coverage	2.73	4.46	4.76	3.73

(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.

Year					
2008	2009	2010	2011	2012	2013
\$ 25,059,656	\$ 27,799,038	\$ 25,963,918	\$ 30,844,566	\$ 27,954,456	\$ 29,976,977
\$ 12,717,300	\$ 14,593,413	\$ 15,780,459	\$ 16,782,412	\$ 18,023,394	\$ 18,550,157
\$ 12,342,356	\$ 13,205,625	\$ 10,183,459	\$ 14,062,154	\$ 9,931,062	\$ 11,426,820
\$ 1,345,000	\$ 1,365,000	\$ 1,380,000	\$ 1,960,000	\$ 3,190,000	\$ 5,120,000
894,119	3,741,435	3,549,816	3,998,470	3,400,845	3,250,654
<u>\$ 2,239,119</u>	<u>\$ 5,106,435</u>	<u>\$ 4,929,816</u>	<u>\$ 5,958,470</u>	<u>\$ 6,590,845</u>	<u>\$ 8,370,654</u>
5.51	2.59	2.07	2.36	1.51	1.37

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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⁾	Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	Education Level in Years of Formal Schooling ⁽⁵⁾
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	4.4%	36%
2006	72,000	\$ 2,333,520	\$ 32,410	35.5	13,031	4.0%	36%
2007	76,700	\$ 2,462,530	\$ 32,106	35.7	13,484	3.6%	36%
2008	79,300	\$ 2,630,619	\$ 33,173	35.7	14,413	4.3%	36%
2009	81,300	\$ 2,731,274	\$ 33,595	35.8	15,016	6.3%	35%
2010	83,560	\$ 2,957,021	\$ 35,388	35.6	16,146	7.0%	38%
2011	85,300	\$ 2,707,251	\$ 31,738	34.8	16,531	7.3%	38%
2012	87,400	\$ 2,816,989	\$ 32,231	34.7	18,135	5.9%	38%
2013	90,300	\$ 3,234,456	\$ 35,819	35.2	18,457	5.3%	42%

Data sources:

(1) City of League City Planning Department

(2) ESRI Data Source

(3) Clear Creek Independent School District

(4) Texas Workforce Commission

(5) Percent of population with Bachelor's degree or higher - ESRI Data Source

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.

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CITY OF LEAGUE CITY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2013			2004	
	Employees ⁽¹⁾	Percent of Total Employment ⁽²⁾	Rank	Employees ⁽¹⁾	Rank
Clear Creek Independent School District	5,790	27.72%	1	3,647	1
American National Insurance	733	3.51%	2	290	3
City of League City	548	2.62%	3	410	2
Krogers	395	1.89%	4	150	6
Walmart	319	1.53%	5		
H.E.B	277	1.33%	6		
Ineos	250	1.20%	7		
Devereaux Texas Treatment Network	214	1.02%	8	250	4
Harborview Care Center	173	0.83%	9	198	5
Home Depot	120	0.57%	10		
Randall's				112	7
	8,819	42.21%		5,057	

(1) Source: Human Resource Department of each company

(2) Percent of total employment is based on total League City employment of 20,891.

Source:- Hoovers

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CITY OF LEAGUE CITY, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Years

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Governmental Activities:</u>										
General government	47	49	49	53	63	62	86	75.25	71	77
Public safety	142.5	153	155.25	163.25	176.25	180.75	192	193.5	203.5	206
Public works	82.5	88	90	87	100	100.5	82	93.5	105	101
Community service	56.5	57.5	59.5	76	83	80.5	71.5	70.5	76.75	75.25
<u>Business-Type Activities:</u>										
Utilities	76	76	77	85	86	87	88	92.75	89	89
 Total City Positions	<u>404.50</u>	<u>423.50</u>	<u>430.75</u>	<u>464.25</u>	<u>508.25</u>	<u>510.75</u>	<u>519.50</u>	<u>525.50</u>	<u>545.25</u>	<u>548.25</u>

Source: City Finance Department

CITY OF LEAGUE CITY, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

	Year			
	2004	2005	2006	2007
City of League City				
Population	62,300	67,300	72,000	76,700
Square miles	53	53	53	53
Budgeted full time employees	410	424	436	464
Function				
Police				
Arrests	2,406	2,495	2,356	2,678
Calls for service	24,508	31,250	46,427	60,370
Municipal court				
Traffic violations	11,699	13,418	12,155	14,649
Non-traffic violations	3,603	3,459	2,925	2,908
Fire				
Calls answered	773	891	868	843
Inspections	1874	2214	2215	1945
Parks and recreation				
Recreation programs (\$)	\$ 169,152	\$ 166,149	\$ 189,740	\$ 198,794
Field and facility rentals (\$)	\$ 166,686	\$ 159,059	\$ 115,710	\$ 103,076
Community Development				
Residential building permits issued	1,516	1,249	1,580	1,549
Residential building permits issued-\$ value	\$ 236,092,416	\$ 225,268,358	\$ 266,426,720	\$ 256,555,787
Commercial building permits issued	39	69	47	79
Commercial building permits issued-\$ value	\$ 82,391,607	\$ 61,541,607	\$ 36,033,628	\$ 78,638,198
Water				
Average daily gallons pumped-combined water (millions of gallons)	6.00	7.30	7.70	7.60
Average daily gallons pumped-surface water (millions of gallons)	6.00	7.20	7.60	6.34
Average daily gallons pumped-well water (millions of gallons)	0.54	0.47	0.70	0.90
Number of connections	20,478	21,459	23,043	24,628
Wastewater				
Average daily effluent treated (millions of gallons)	5.79	6.17	6.50	7.20
Number of connections	19,492	20,328	21,838	23,485

Source: Various City departments

		Year					
		2008	2009	2010	2011	2012	2013
		79,300	81,300	83,560	85,300	87,400	90,300
		53	53	53	53	53	53
		508	510	520	525	545	548
		2,325	3,055	3,333	3,349	3,018	3,215
		33,225	37,444	35,616	36,775	36,596	35,557
		11,506	11,433	16,879	15,337	13,293	12,587
		2,383	2,441	2,529	2,176	2,127	2,150
		1,016	993	920	935	986	1,106
		2,072	2,376	2,038	3,489	2,292	2,357
\$		327,155	\$ 409,738	\$ 398,404	\$ 442,314	\$ 428,754	\$ 416,443
\$		105,602	\$ 104,906	\$ 91,566	\$ 80,093	\$ 102,976	\$ 131,289
		880	712	793	662	681	1006
\$		152,247,419	\$ 117,751,909	\$ 145,502,081	\$ 129,701,416	\$ 135,708,582	\$ 195,890,814
		66	27	13	9	23	24
\$		191,206,441	\$ 39,936,940	\$ 11,486,880	\$ 15,256,600	\$ 22,958,177	\$ 41,947,205
		9.00	10.00	9.23	10.58	9.97	10.50
		9.00	9.00	9.16	10.40	9.90	10.20
		0.34	0.18	0.71	0.20	0.59	0.3
		25,762	26,368	27,092	27,669	28,554	29,326
		6.78	6.82	7.20	6.08	7.30	8.50
		24,490	25,118	25,508	26,554	27,258	27,992

CITY OF LEAGUE CITY, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function	Year			
	2004	2005	2006	2007
General government				
Municipal buildings	32	36	36	36
City vehicles	227	246	232	252
Public safety				
Police protection				
Stations	1	1	1	1
Fire protection				
Stations/drill field	4	6	6	6
Fire apparatus	11	11	12	10
Public works				
Streets (lane miles)	307	312	316	320
Community services				
Parks	8	8	8	10
Ball fields	25	25	25	29
Swimming pools	1	1	1	1
Pavilions	8	8	8	8
Park acreage developed	166	189	189	199
Water				
Water wells	4	4	4	4
Ground/elevated storage tanks	15	17	17	16
Water mains (miles)	317	340	354	368
Fire hydrants	2,345	2,575	2,714	2,841
Wastewater				
Wastewater treatment plants	2	2	2	2
Sanitary sewers (miles)	233	251	262	272
Sewer manholes	6,124	6,665	6,969	7,272

Source: Various City departments

Year						
2008	2009	2010	2011	2012	2013	
36	36	36	36	36	36	36
259	265	278	291	292	316	
1	1	1	1	1	1	1
6	6	6	6	6	6	6
20	21	21	23	24	26	
324	337	341	342	368	375	
12	12	12	12	14	14	
33	33	32	32	37	37	
1	1	1	1	1	1	
7	7	7	7	7	7	
347	347	347	347	392	392	
4	4	4	5	5	5	
16	16	15	14	15	15	
376	388	391	415	416	441	
2,929	3,043	3,178	3,329	3,377	3,673	
2	2	2	2	3	3	
279	281.7	294.9	301	305	313	
7,272	7,272	7,851	7,950	8,259	8,470	

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