

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**CITY OF LEAGUE CITY, TEXAS**

**For the fiscal year ended  
September 30, 2005**

**Prepared by  
Finance Department**

**Robert Powers,  
Interim Finance Director**

**Lonna Stein,  
Controller/Tax Assessor Collector**

**Quencelia Graves  
Senior Accountant**



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## **INTRODUCTORY SECTION**





# CITY OF LEAGUE CITY

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300 West Walker • League City, Texas 77573 • (281) 554-1359

March 24, 2006

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 for the fiscal year ended September 30, 2005, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City's financial statements have been audited by Null Lairson, P.C., 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, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP require 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 65,000 and encompasses an area of 54 square miles. The City adopted a “Home Rule Charter” on March 27, 1962. That charter provides for the “Mayor-Council” form of government as referenced in Vernon’s Annotated Civil Statutes, Art. 1164 et.seq.

The City provides a full range of services. These services include police, emergency management, animal control and municipal court facilities; the construction and maintenance of streets, drainage systems and other infrastructure; recreational parks, swimming pools and athletic fields; and other facilities for various cultural and civic activities. The following entities have met the requirements for component units and have appropriately been included within the financial statements:

- City of League City 4B Industrial Development Corporation
- City of League City Economic Development Corporation
- Destination League City Convention and Visitors Corporation
- City of League City Tax Increment Financing Zone No. One
- City of League City Tax Increment Financing Zone No. Two
- City of League City Tax Increment Financing Zone No. Three
- City of League City 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
- League City Volunteer Fire Department
- League City Emergency Medical Services

The City also operates its own Water and Wastewater System for all residential and commercial locations within its limits as well as for eleven municipal utility districts within the City's territorial limits. The City contracts out for solid waste collection services and as such this service does not meet the established criteria for a component unit and has not been included within the reporting entity.

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

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Enterprise Fund, Debt Service Fund, all individual Special Revenue Funds and certain individual Capital Project Funds are included in the annual appropriated budget. The level of budgetary control is the department, except for Special Revenue Funds and the Capital Project Funds where the legal level is the total fund.

### **Local Economy**

The economic condition and outlook for the City is quite good with continued growth anticipated for the next several years. Economic development is a priority of City Council. The Council wishes to maintain the family oriented quality of life atmosphere for which the City is known. Economic development efforts are focused on the City choosing and assisting development that is compatible with the focus on family atmosphere. With increased business development, the City can continue to lower taxes while providing more services.

As a direct result of its recruitment efforts during 2005, the League City Economic Development Corporation announced six major projects that were begun or completed. In January, BP America announced League City would be the location for its new corporate divisions. The divisions, now part of INEOS/Innovene, employ 150 office and management people in the South Shore Harbour area.

The University of Texas Medical Branch announced it would construct a 35 acre Galveston mainland campus in the Victory Lakes Business Park. Phase I of the project will include several medical diagnostic specialties that are not presently meeting the population demand of the area. The League City Economic Development Corporation used local resources to assist Process Level Technology, a local company, in expanding its operations. The company plans to double its staff, sales and building size.

The Alex Rodriguez Mercedes Benz Automobile Dealership and the Houston Garden Center were recruited to League City. The Economic Development Department worked closely with these businesses to locate suitable sites on Interstate 45.

In May the Big League Dreams Sports Park opened in League City. The \$19 million sports park will be the first of its kind outside the state of California and is expected to host 400,000 visitors per year. The sports park has six replica baseball/softball fields designed to attract regional, state and national adult softball and baseball tournaments. The park already has commitments for multiple United States Specialty Sports Association tournaments and other large tournaments. In addition to the ball fields, there will be two stadium club concession restaurants, a 21,000 square foot covered pavilion for indoor soccer and special events, sand volleyball, a tot lot, a retail shop, and an 8,000 square foot skate park. The economic impact projected for the League City area during the first year of the park's operations is \$24 million and growing to nearly \$35 million in the fifth year of operations.

Another project approved to promote League City as a destination is the Butler Longhorn Museum. The City purchased an estate including approximately 10 acres of land along Clear Creek. The home is being renovated and will serve as the indoor portion of the museum that will educate visitors on the rich ranching heritage on which the City was founded. One of the feature attractions of the museum will be the well known Butler Longhorn. The grounds of the museum will be used for outdoor interpretive and period centers as well as park area. This project is expected to open in 2006.

The City has certainly focused efforts on diversifying the local tax base and significant commercial development has finally come to the City. At the present however, residential development does continue to dominate new development. The City issued 1249 building permits for new residential construction during FY 2005.

## **Major Initiatives**

### **For the Year**

Improving the City's infrastructure continues to be a major focus. The Water Department completed the construction of a 12" water line crossing Clear Creek to service the residents of Clear Creek Shores on the north side of League City. The department continued with improvements to multiple water treatment plant sites including the Highway 3 Pump Station consisting of the rehabilitation of an existing 1MG ground storage tank, installing new booster pumps and hydro tanks which will assist in converting the 42" and 39" transmission lines to distribution lines along Calder Rd. and State Highway 96. On the east side of town, the City completed 24" and 16" water trunk mains as well as the construction of a new 2 MG elevated water tower which will provide additional emergency storage capacity in the event of a power failure as do multiple auxiliary power units recently installed at strategic plant sites. The City also worked on security improvements at all the water treatment plant facilities to be in compliance with Homeland Security requirements.

The Wastewater Department completed five lift station improvement projects that has reduced the department's weather related overtime and has improved the collections system's ability to handle wet weather flows. These projects also addressed capacity and rehabilitation issues along with the installation of auxiliary generator connections, manual transfers and discharge by-pass connections. These items are crucial for safe emergency bypassing during extreme weather events. On the east side of the City, to serve the development attracted by the completion of SH 96 within the City limits, a major wastewater trunk main and lift station project was completed. System upgrades were begun on the Dallas Salmon wastewater lift station, headworks, and facilities to provide near ultimate treatment capacity. The Smith Lane force main replacement project was also completed which will alleviate repeat sewer system overflows related to this Hydrogen Sulfide damaged line. Additionally, through grant funding opportunities, water and wastewater systems were provided to the residents of the Shellside subdivision where previously only personal wells and septic systems could be utilized.

Public safety enhancements completed during the year were two new fire stations and an EMS station on the west side of the City. Reconstruction of Fire Station #1 on the east side of the City was also completed.

### **For the Future**

Infrastructure development will remain a priority in the City's plans to meet the increased demand for service spurred by rapid growth. Numerous Public Safety, Street, Water and Wastewater projects are included in the City's Long Range Capital Improvement Plan. Through the CDBG program, the City will continue to provide potable water and fire protection to underdeveloped areas. With the assistance of the Line Repair Department, the City will continue replacement of water and sewer mains, deficient in carrying capacity and/or construction. Also, the design phase will get underway for both the Southwest Wastewater Treatment Plant and capacity increase for the Dallas Salmon Wastewater Treatment Plant.

Within the City organization itself, improvements will also be made to help the City run more efficiently. The City will work to complete its project to network all city facilities. Improvements will also be made to the City's website which will enable utility and tax billing customers to inquire about their account and to pay their bill online.

### **Awards**

The Government Finance Officers Association (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, 2004. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This is the 21st consecutive year that the City has received this prestigious award.

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.

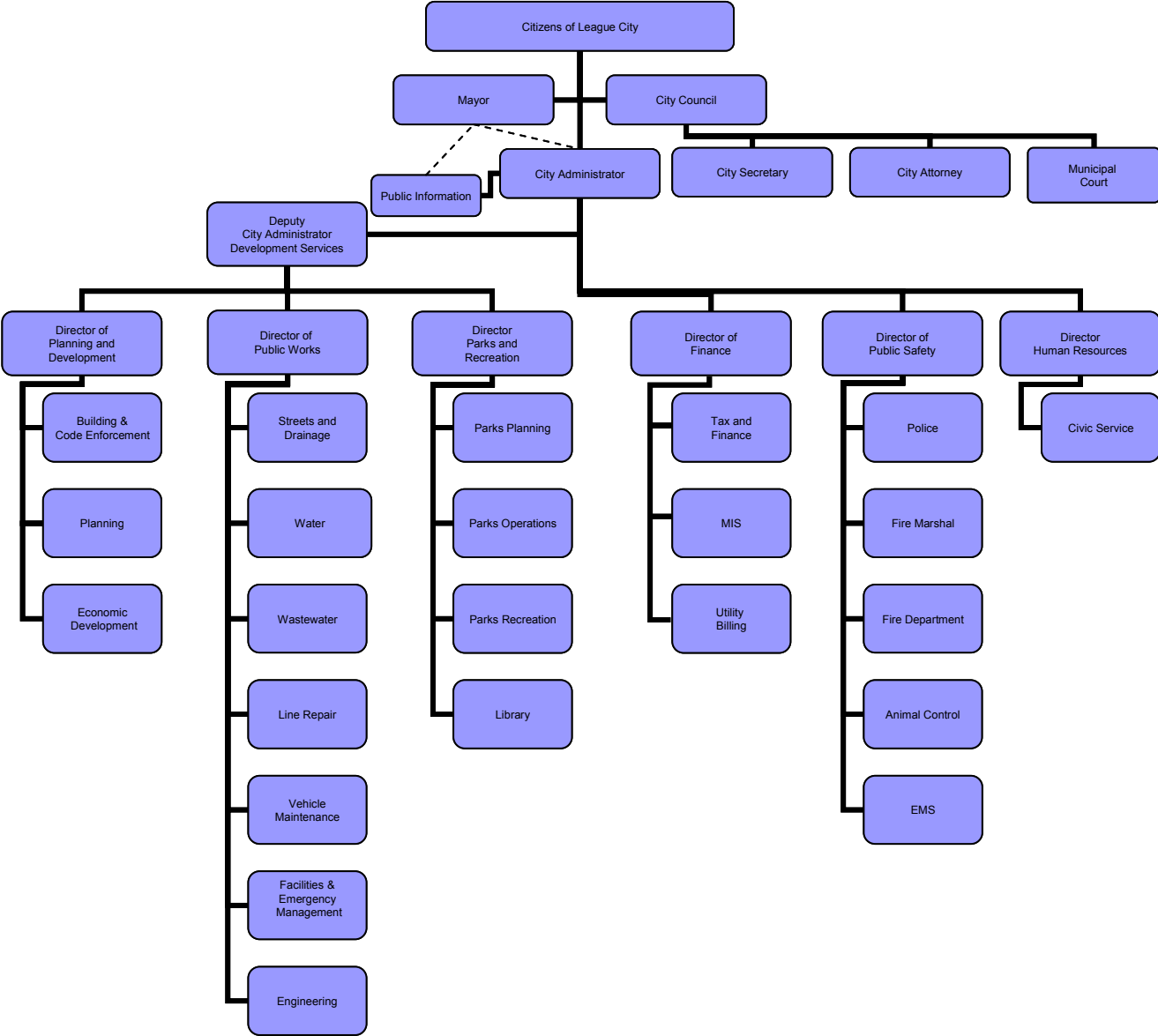
### **Acknowledgements**

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. I would like to express my appreciation for their efforts. In addition, I 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.

Respectfully submitted,

Robert Powers,  
Interim Finance Director

**CITY OF LEAGUE CITY, TEXAS**  
**ORGANIZATIONAL CHART**



**CITY OF LEAGUE CITY, TEXAS  
PRINCIPAL CITY OFFICIALS**

<b>Elected Officials</b>		
	Mayor	Jerry Shults
	Councilor, Position No. 1	Tad Nelson
	Councilor, Position No. 2	Mike Barber
	Councilor, Position No. 3	Thomas Cones
	Councilor, Position No. 4	Katie Benoit
	Councilor, Position No. 5	Rusty Tidwell
	Councilor, Position No. 6	Jon Keeney
	Councilor, Position No. 7	Jim Nelson
<b>City Officials</b>		
	City Administrator	Charles Pinto
	Deputy City Administrator-Developmental Services	Martin C. Peifer
	City Secretary	Barbara Long
	Director of Public Safety/Chief of Police	Andrew Daniel
	Director of Public Works	Vacant
	Director of Planning & Development	Mary Chambers
	Director of Parks & Cultural Services	Chien Wei
	Director of Human Services	Joy Allmond
	Interim Director of Finance	Robert Powers
	Controller/Tax Assessor/Collector	Lonna Stein



## **FINANCIAL SECTION**

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Houston, TX 77046  
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2117 Post Office Street  
Galveston, TX 77550  
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To the Honorable Mayor and Members  
of the City Council  
City of League City, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of League City, Texas, (the “City”) as of and for the year ended September 30, 2005, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of City’s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2006 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 13 through 21, budgetary comparison information and Required Pension System Supplementary Information on pages 71 through 74 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Null Laism, P.C." The signature is written in a cursive, flowing style.

Houston, Texas  
March 26, 2006

**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of League City, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City of League City for the fiscal year ended September 30, 2005.

**Financial Highlights**

At the close of the most recent fiscal year, ending September 30, 2005, total assets of the City of League City exceeded liabilities by \$159 million. Of this amount, \$23 million is categorized as unrestricted net assets which may be used by the City to meet ongoing or future obligations. It also represents resources available to capitalize on investment opportunities that may arise.

**Overview of the Financial Statements**

This discussion and analysis should serve as an introduction to the basic financial statements which include 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. Supplementary information is also provided in this report.

**Government-wide Financial Statements.** In a manner similar to a private-sector business, the government-wide financial statements present a broad overview of the City's finances.

The Statement of Net Assets (p.27) details the City's assets and liabilities. The difference between the two is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (p.288) presents how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Consequently, revenues and expenses for some items reported in this statement may actually result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements mentioned above make a distinction between "governmental activities" (principally supported by taxes and intergovernmental revenues and "business-type activities" (which recover all or a significant portion of their costs through user fees and charges.) Governmental activities of the City include general government, public safety, streets, drainage, sanitation, planning, code enforcement, economic development, a public library cultural activities, parks and recreation. The business-type activity of the City is its operation and maintenance of the water and wastewater system.

The government-wide financial statements refer to the City as the primary government and separate its financial information from that of its component units. Component units are legally separate entities that meet certain tests of interconnectedness with, and dependency upon, the City. These include the Section 4B Industrial Development Corporation, the League City Economic Development Corporation, Destination League City Convention and Visitors Corporation, three (3) Tax Increment Reinvestment Zones, three (3) Public Improvement

**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Districts, the League City Volunteer EMS, and the League City Volunteer Fire Department. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27 through 29 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – “governmental funds” and “proprietary funds.”

**Governmental Funds.** The City maintains twenty four (24) governmental funds. The General Fund, the Debt Service Fund and the Certificates of Deposit 2005A capital Projects Fund are considered to be major funds and therefore information is presented separately for each in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. The other twenty one (21) governmental funds are aggregated into a single presentation.

The City adopts an annual budget for the General Fund. A Budgetary Comparison Statement has been provided to illustrate compliance with adopted budget.

The basic governmental fund financial statements can be found on pages 30 through 33 of this report.

**Proprietary Funds.** The City maintains two different types of proprietary funds – enterprise funds and internal service funds. The City uses an enterprise fund to account for its water and wastewater system. An internal service funds is used to account for the City’s vehicle fleet, equipment and management information systems.

Proprietary fund financial statements provide the same type of information, only in more detail, as the government-wide financial statements. Since the Water and Wastewater Operating Fund is considered a major fund, it is presented separately. The two (2) internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Combining Statements can be found elsewhere in this report that provide individual fund data.

The basic proprietary fund financial statements can be found on pages 34 through 37 of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a better understanding of the data provided in the government-wide and fund financial statements. These can be found on pages 38 through 70 of this report.

**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Other information.** In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning (1) the City's progress in funding its employee pension benefits obligation and (2) a General Fund Budgetary Comparison. Required supplementary information can be found on pages 73 through 76 of this report.

The Combining Statements for the non-major governmental funds and internal service funds are presented after the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 81 of this report.

**Government-wide Financial Analysis**

As noted earlier, changes in net assets over time may serve as a useful indicator of the City's financial position. At the end of Fiscal Year 2005, assets exceeded liabilities by \$159 million.

At the end of both the 2005 and 2004 fiscal years, the City was able to report positive net assets balances for both governmental activities and business-type activities.

By far the largest portion of the City's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. Although the City's capital assets are reported net of related debt, the capital assets themselves are not liquid. Consequently, the reader should be aware of the fact that other sources of income are needed to retire future debt obligations.

**CITY OF LEAGUE CITY'S NET ASSETS**

*SEPTEMBER 30, 2005*

*With comparative totals as of September 30, 2004*

*Amounts in (000's)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 25,653	\$ 37,644	\$ 36,780	\$ 26,368	\$ 62,433	\$ 64,012
Capital assets	143,464	131,434	80,968	76,233	224,432	207,667
<b>Total Assets</b>	<u>169,117</u>	<u>169,078</u>	<u>117,748</u>	<u>102,601</u>	<u>286,865</u>	<u>271,679</u>
Other liabilities	4,101	8,034	2,610	2,170	6,711	10,204
Long-term liabilities outstanding	61,125	50,192	60,015	53,019	121,140	103,211
<b>Total Liabilities</b>	<u>65,226</u>	<u>58,226</u>	<u>62,625</u>	<u>55,189</u>	<u>127,851</u>	<u>113,415</u>
Net assets:						
Invested in capital assets, nets of related debt	90,101	98,650	32,403	28,372	122,504	127,022
Restricted	2,378	2,433	10,187	8,706	12,565	11,139
Unrestricted	11,412	9,769	12,533	10,334	23,945	20,103
<b>Total Net Assets</b>	<u>\$ 103,891</u>	<u>\$ 110,852</u>	<u>\$ 55,123</u>	<u>\$ 47,412</u>	<u>\$ 159,014</u>	<u>\$ 158,264</u>

Restricted Assets (\$12.6 million), which are those assets legally restricted to certain uses, represent approximately 8% of Total Net Assets. The remaining balance (\$24 million) of

**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

unrestricted net assets may be used to meet the ongoing obligations and represent the remaining 15%.

The City's net assets increased slightly by \$750,000 during the current fiscal year compared to an increase of \$1.2 million in fiscal year 2004. The following table summarizes the changes in net assets for the City for the years ended September 30, 2005 and 2004:

**CITY OF LEAGUE CITY'S CHANGES IN NET ASSETS**

*YEAR ENDED SEPTEMBER 30, 2005*

*With comparative totals for the year ended September 30, 2004*

*Amounts in (000's)*

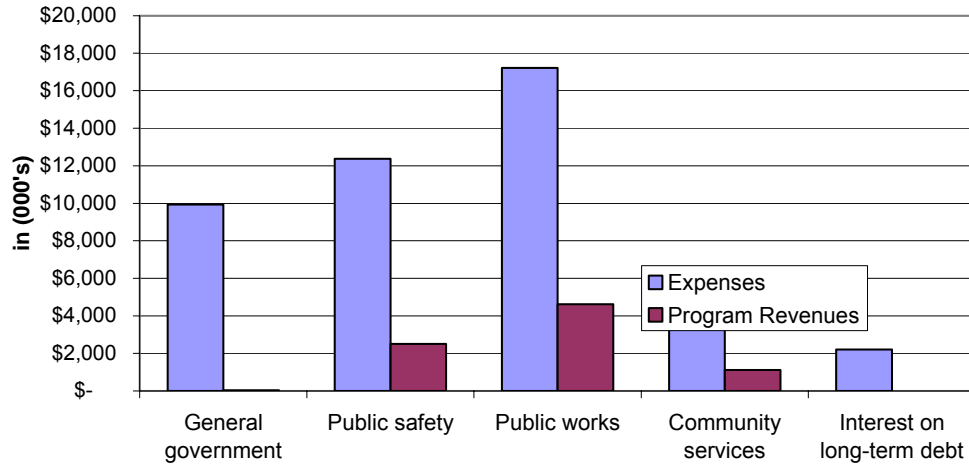
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 7,028	\$ 6,348	\$ 18,526	\$ 16,370	\$ 25,554	\$ 22,718
Operating grants and contributions	1,215	475		51	1,215	526
Capital grants and contributions	20	1,209	4,354	2,124	4,374	3,333
General revenues						
Property taxes	20,270	18,173			20,270	18,173
Franchise taxes	3,302	2,984			3,302	2,984
Sales and use taxes	5,144	4,634			5,144	4,634
Grants and contributions						
Unrestricted investment earnings	843	509	849	311	1,692	820
Miscellaneous	191	735			191	735
<b>Total Revenues</b>	<b>38,013</b>	<b>35,067</b>	<b>23,729</b>	<b>18,856</b>	<b>61,742</b>	<b>53,923</b>
Expenses						
General government	9,929	7,842			9,929	7,842
Public safety	12,375	10,367			12,375	10,367
Public works	17,216	15,303			17,216	15,303
Community services	4,726	3,760			4,726	3,760
Interest on long-term debt	2,204	1,908			2,204	1,908
Water and sewer			14,542	13,546	14,542	13,546
<b>Total Expenses</b>	<b>46,450</b>	<b>39,180</b>	<b>14,542</b>	<b>13,546</b>	<b>60,992</b>	<b>52,726</b>
Increase (decrease) in net assets before transfers	(8,437)	(4,113)	9,187	5,310	750	1,197
Transfers	1,476	1,746	(1,476)	(1,746)		
Increase (Decrease) in net assets	(6,961)	(2,367)	7,711	3,564	750	1,197
Net assets - beginning	110,852	113,219	47,412	43,848	158,264	157,067
<b>Net Assets - Ending</b>	<b>\$ 103,891</b>	<b>\$ 110,852</b>	<b>\$ 55,123</b>	<b>\$ 47,412</b>	<b>\$ 159,014</b>	<b>\$ 158,264</b>



**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

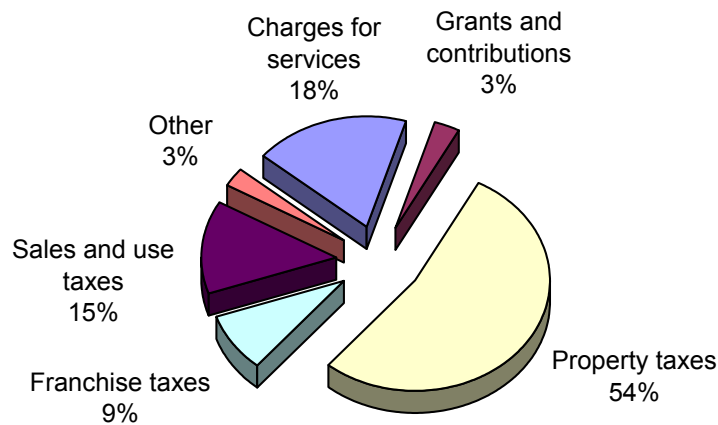
**Governmental activities.** Governmental activities decreased the City's net assets by \$6.9 million. This is more than the prior year's decrease of \$2.4 million. A comparison of program expenses to program revenues and revenues by source for governmental activities follows:

**Expenses and Program Revenues - Governmental Activities**



Revenue sources for governmental activities were distributed as follows:

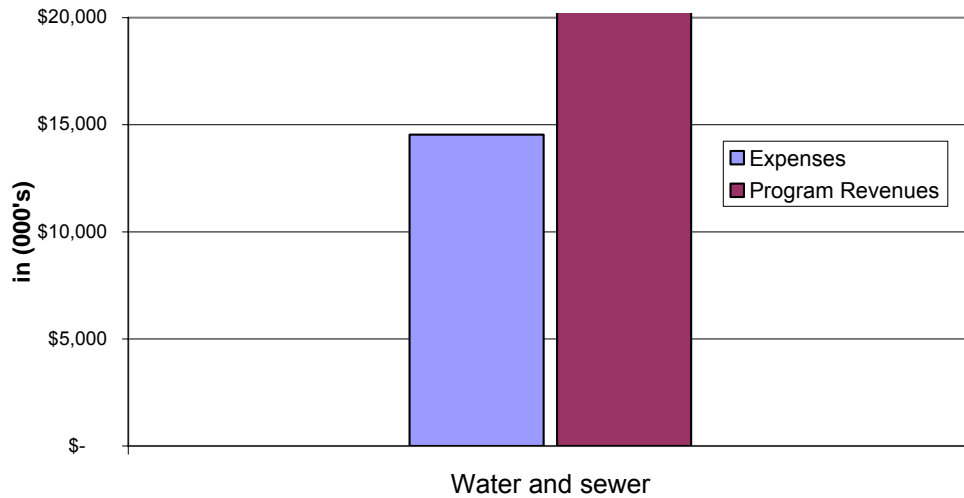
**Revenues by Source - Governmental Activities**



**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

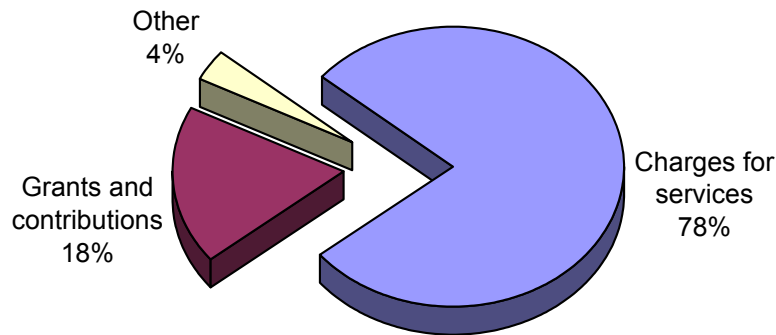
**Business-type activities.** The net assets of the City's business-type activities increased by \$7.7 million to more than offset the decrease in governmental activity net assets. This increase was aided by increased water sales and capital recovery fees, both related to continued strong development activity. A comparison between expenses relating to water and sewer operations and program revenues (charges for services and operating grants) follows.

**Expenses and Program Revenues - Business-type Activities**



Revenue sources for business-type activities were distributed as follows:

**Revenues by Source - Business-type Activities**



### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The General Fund is the chief operating fund of the City of League City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11.0 million while total fund balance reached \$11.7 million. Unreserved fund balance as a percentage of total General Fund expenditures is a commonly accepted benchmark for measuring the fund's financial health and stability. At the end of Fiscal Year 2005, the unreserved fund balance was 35%.

The Debt Service Fund had a total fund balance of \$0.64 million, all of which is reserved for the payment of debt service. The decrease in fund balance from the prior year of approximately \$1.1 million was due to a one-time event. In FY 2005, the City budgeted a contribution towards debt service of \$500,000 from the 4B Industrial Development Corporation in connection with the development of the Big League Dreams Sports Park. However, during the course of this project, the scope changed and some of the projects originally intended to be supported by the Corporation were deleted or have been deferred.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net assets of the Water and Sewer Enterprise fund at the end of the year amounted to \$12.5 million or 68% of annual operating and non-operating expenses for the fund.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to \$2.8 million, primarily due to the reappropriation of funds from the prior for capital projects not completed by year's end. These additional appropriations did not affect the City's ability to comply with the its Financial Management Policies and maintain a reserve balance of 90 days of operating expenditures.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of League City's investment in capital assets for its governmental and business type activities as of September 30, 2005 amounted to \$224.4 million (net of accumulated depreciation), an increase of \$17.0 million (8.1%) over the prior year. This investment in capital assets includes land, buildings, roads, park facilities, water and wastewater plants and service lines, machinery and equipment, and construction in progress.

**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Major capital asset events during the current fiscal year included Big League Dreams Sports Park, progress on the Butler Longhorn Museum, completion of two fire stations, one EMS station, roadway, and water and wastewater facilities.

Additional information on the City's capital assets can be found in Note 6 to the basic financial statements of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of League City had total debt outstanding of \$121.3 million. Of this amount, \$89.1 million is backed by the full faith and credit of the City, and the remainder represents revenue bonds secured by specified revenue sources. The Section 4B Industrial Development Corporation has \$2.4 million debt outstanding.

The City of League City's total debt increased slightly from that of the prior year. Retirement of \$5.48 million in debt was offset by the issuance of \$14.175 million in certificates of obligation and an additional \$12.8 million in waterworks and sewer system bonds along with a refinancing of \$7.9 million water and sewer debt that saved the City over \$920,000.

The City has a General Obligation rating of Aa3 from Moody's Investor Services and an A from Standard & Poor's. The water and sewer revenue debt of the City is rated A2 by Moody's and A from Standard and Poor's.

The City has no legal debt limit provision in its charter.

Additional information on the City's long-term debt can be found in Note 7 to the basic financial statements of this report.

The unemployment rate for the City of League City as of the 4<sup>th</sup> quarter of 2005 was 4.4%. This compares favorably to the state's average unemployment rate of 5.2% (unadjusted) for the same reporting period.

Each year the budget is prepared based upon certain economic assumptions and designed to achieve City Council objectives. Over the past several years, the City has experienced strong residential and commercial development growth. The budget assumes that this trend will continue into the coming fiscal year. This resultant increase in revenue is available to the City to meet its obligations created by that growth.

One of the objectives of the City Council was that projected service delivery demands would be met without an increase in the tax rate. This was accomplished and the tax rate was actually lowered slightly from the prior year. Another objective addressed in the budget was that established fund reserve benchmarks in the General Fund and the Water & Wastewater Operating Fund of at least 25% compared to budgeted expenditures would be maintained. Conservative projections estimate the ending fund balances at 9/30/06 will be 26% and 22% for the General Fund and the Water and Wastewater Operating Fund, respectively. The decline from previous year levels is the result of completing numerous capital improvement projects initially funded in prior years.

**CITY OF LEAGUE CITY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The tax rate for Fiscal Year 2006 was set at \$.6275 per \$100 of assessed value. This rate marks a reduction of \$.0025 from the Fiscal Year 2005 rate. Although the tax rate was lowered, revenues received from ad valorem taxes are budgeted to increase by nearly 4% due to the continued growth in the property tax base in the City. Of the total General Fund budget of \$32.6 million, only \$124,577 is appropriated from fund balance. The remaining revenues are current revenues.

As new residential and commercial developments continue to keep pace with recent high growth trends, the City is actively planning for expansion of its water and wastewater system. A rate study is anticipated in order to provide the financial feasibility analysis of an aggressive multi-year capital improvements program.

**Requests for Information**

Questions concerning any of the information should be addressed to the Office of the City Secretary, 300 West Walker, League City, TX 77573.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF LEAGUE CITY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2005**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
Cash and Equivalents	\$ 16,055,842	\$ 4,824,535	\$ 20,880,377	\$ 4,475,950
Investments	5,000,000	6,555,857	11,555,857	
Receivables	4,543,869	2,858,427	7,402,296	207,949
Restricted cash		22,541,786	22,541,786	
Inventories	12,241		12,241	
Prepaid expense	40,707		40,707	1,149
Contractual rights to water supply		13,233,944	13,233,944	
Capital assets not being depreciated				
Land	11,182,171	698,893	11,881,064	41,080
Construction in progress	4,249,347	2,801,119	7,050,466	
Capital assets, net of accumulated depreciation:				
Infrastructure	94,425,660	62,247,045	156,672,705	
Buildings	26,851,765	49,177	26,900,942	
Equipment and furniture	6,755,278	1,937,509	8,692,787	34,794
Total Assets	<u>169,116,880</u>	<u>117,748,292</u>	<u>286,865,172</u>	<u>4,760,922</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	3,298,352	1,389,214	4,687,566	443,617
Deferred Revenues	467,125		467,125	
Customer deposits	14,138	531,292	545,430	
Accrued interest	321,146	689,948	1,011,094	
Non current liabilities:				
Due within one year	3,098,483	4,286,795	7,385,277	195,000
Due in more than one year	58,026,882	55,728,470	113,755,353	2,280,000
Total liabilities	<u>65,226,126</u>	<u>62,625,719</u>	<u>127,851,845</u>	<u>2,918,617</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	90,101,167	32,402,793	122,503,960	72,785
Restricted for:				
Debt Service	615,190	1,220,920	1,836,110	
Capital projects		8,965,439	8,965,439	
Other projects	1,762,444		1,762,444	
Unrestricted	11,411,953	12,533,421	23,945,374	1,769,520
Total net assets	<u>\$ 103,890,754</u>	<u>\$ 55,122,573</u>	<u>\$ 159,013,327</u>	<u>\$ 1,842,305</u>

See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental Activities				
General government	\$ 9,929,099	\$ 29,669	\$	\$
Public safety	12,374,528	1,757,121	724,817	19,849
Public works	17,215,751	4,618,669		
Community services	4,726,051	622,078	490,511	
Interest on long-term debt	2,203,677			
Total governmental activities	<u>46,449,106</u>	<u>7,027,537</u>	<u>1,215,328</u>	<u>19,849</u>
Business-type activities				
Water and sewer	14,541,689	18,525,851		4,353,738
Total primary government	<u>\$ 60,990,795</u>	<u>\$ 25,553,388</u>	<u>\$ 1,215,328</u>	<u>\$ 4,373,587</u>
<b>Component Units</b>				
Governmental Activities	\$ 3,033,678	\$ 1,352,019		\$
Total component units	<u>\$ 3,033,678</u>	<u>\$ 1,352,019</u>	<u>\$</u>	<u>\$</u>
<b>General revenues:</b>				
Taxes:				
Property				
Franchise				
Sales and use				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

See notes to financial statements.

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (9,899,430)		\$ (9,899,430)	
(9,872,741)		(9,872,741)	
(12,597,082)		(12,597,082)	
(3,613,462)		(3,613,462)	
(2,203,677)		(2,203,677)	
<u>(38,186,392)</u>		<u>(38,186,392)</u>	
	8,337,900	8,337,900	
<u>\$ (38,186,392)</u>	<u>\$ 8,337,900</u>	<u>\$ (29,848,492)</u>	
			\$ (1,681,659)
			<u>\$ (1,681,659)</u>
20,269,723		20,269,723	2,573,420
3,301,888		3,301,888	
5,144,498		5,144,498	1,065,688
842,941	848,677	1,691,618	108,599
190,043		190,043	
1,476,347	(1,476,347)		
<u>31,225,440</u>	<u>(627,670)</u>	<u>30,597,770</u>	<u>3,747,707</u>
(6,960,952)	7,710,230	749,278	2,066,048
110,851,706	47,412,343	158,264,049	(223,743)
<u>\$ 103,890,754</u>	<u>\$ 55,122,573</u>	<u>\$ 159,013,327</u>	<u>\$ 1,842,305</u>

**CITY OF LEAGUE CITY, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2005

	<u>General Fund</u>	<u>Debt Service</u>	<u>Certificates of Obligation 2005A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,817,106	\$ 733,322	\$ 502,108	\$ 6,517,166	\$ 15,569,702
Investments	4,000,000			1,000,000	5,000,000
Receivables (net of allowance for uncollectibles)	4,019,933	316,914		207,021	4,543,868
Inventories	12,241				12,241
Prepaid expenses	40,707				40,707
Total assets	<u>\$ 15,889,987</u>	<u>\$ 1,050,236</u>	<u>\$ 502,108</u>	<u>\$ 7,724,187</u>	<u>\$ 25,166,518</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,619,504	\$ 113,900	\$	\$ 706,681	\$ 2,440,085
Deferred revenue	1,773,523	299,268		16,395	2,089,186
Other accrued expenses	792,968			9,726	802,694
Customer deposits	13,293			845	14,138
Total liabilities	<u>4,199,288</u>	<u>413,168</u>		<u>733,647</u>	<u>5,346,103</u>
Fund balances:					
Reserved for:					
Inventories	12,241				12,241
Encumbrances	318,915				318,915
Prepaid expenses	40,707				40,707
Debt service		637,068			637,068
Long-term receivables	262,919				262,919
Unreserved	11,055,917		502,108		11,558,025
Unreserved, reported in non-major:					
Special revenue funds				1,762,444	1,762,444
Capital projects funds				5,228,096	5,228,096
Total fund balances	<u>11,690,699</u>	<u>637,068</u>	<u>502,108</u>	<u>6,990,540</u>	<u>19,820,415</u>
Total liabilities and fund balances	<u>\$ 15,889,987</u>	<u>\$ 1,050,236</u>	<u>\$ 502,108</u>	<u>\$ 7,724,187</u>	<u>\$ 25,166,518</u>

See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET ASSETS**  
**September 30, 2005**

Total fund balance, governmental funds \$ 19,820,415

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 139,798,642

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 1,622,066

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. 4,096,142

Some liabilities, (such as Long-term Compensated Absences, Bonds Payable and related accrued interest ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

Bonds and certificates of obligation payable	(59,957,438)	
Compensated Absences	(2,032,107)	
Accrued interest	(321,146)	
Deferred charges	864,180	
	864,180	(61,446,511)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 103,890,754

See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

**For the Year Ended September 30, 2005**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Certificates of Obligation 2005A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 13,479,126	\$ 6,767,243	\$	\$	\$ 20,246,369
Sales tax	4,878,398				4,878,398
Hotel occupancy taxes				266,100	266,100
Franchise tax	3,301,888				3,301,888
Fees and fines	1,276,711			152,265	1,428,976
Licenses and permits	2,460,148				2,460,148
Intergovernmental	616,314			105,127	721,441
Charges for services	2,924,323			202,508	3,126,831
Investment earnings	425,731	60,700	36,315	310,529	833,275
Miscellaneous	239,509			396,442	635,951
Total revenues	<u>29,602,148</u>	<u>6,827,943</u>	<u>36,315</u>	<u>1,432,971</u>	<u>37,899,377</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,764,151	3,172,300		269,042	9,205,493
Public Safety	11,272,825			64,085	11,336,910
Public Works	8,906,921				8,906,921
Community services	3,102,007			613,639	3,715,646
Debt Service:					
Principal		2,256,381			2,256,381
Interest and other charges		2,155,997	65,822		2,221,819
Capital Outlay			7,968,385	16,240,573	24,208,958
Total Expenditures	<u>29,045,904</u>	<u>7,584,678</u>	<u>8,034,207</u>	<u>17,187,339</u>	<u>61,852,128</u>
Excess (deficiency) of revenues over expenditures	<u>556,244</u>	<u>(756,735)</u>	<u>(7,997,892)</u>	<u>(15,754,368)</u>	<u>(23,952,751)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt, net			8,500,000	5,675,000	14,175,000
Transfers in	1,309,470	250,000		2,339,049	3,898,519
Transfers out	(3,119,823)			(59,470)	(3,179,293)
Total other financing sources and uses	<u>(1,810,353)</u>	<u>250,000</u>	<u>8,500,000</u>	<u>7,954,579</u>	<u>14,894,226</u>
Net change in fund balances fund balances - beginning, as restated	(1,254,109)	(506,735)	502,108	(7,799,789)	(9,058,525)
	<u>12,944,808</u>	<u>1,143,803</u>		<u>14,790,329</u>	<u>28,878,940</u>
Fund balances - ending	<u>\$ 11,690,699</u>	<u>\$ 637,068</u>	<u>\$ 502,108</u>	<u>\$ 6,990,540</u>	<u>\$ 19,820,415</u>

See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

Net change in fund balances - total governmental funds: \$ (9,058,525)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$23,006,745 exceeded depreciation \$8,661,019 in the current period. 14,345,726

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (2,191,257)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Municipal court fines	78,404	
Property taxes	<u>23,354</u>	101,758

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

Principal repayments	2,256,381	
Bond and certificates of obligation proceeds	<u>(14,175,000)</u>	(11,918,619)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest expense		(55,491)
Amortization of bond costs		73,632
Accrued compensated absences		(145,446)
Accrued expenses related to State Highway 96		1,834,840

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 52,430

Change in net assets of governmental activities		<u><u>\$ (6,960,952)</u></u>
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See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2005**

	<b>Business-type Activities Enterprise Fund</b>	<b>Governmental Activities -</b>
	<b>Water and Wastewater</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,824,535	\$ 6,334
Investments	6,555,857	479,806
Accounts Receivable, net	2,858,427	
Restricted cash and investments:		
Customer deposits	531,292	
Capital projects	20,099,626	
Debt service	1,910,868	
Total current assets	<u>36,780,605</u>	<u>486,140</u>
Non-current assets:		
Contractual rights to water supply	13,233,944	
Capital asset net of depreciation	67,733,743	3,665,579
Total non-current assets	<u>80,967,687</u>	<u>3,665,579</u>
Total assets	<u>117,748,292</u>	<u>4,151,719</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,389,214	55,577
Accrued interest payable	689,948	
Customer Deposits	531,292	
Compensated absences	130,000	
Bonds, notes and loans payable	4,416,489	
Total current liabilities	<u>7,156,943</u>	<u>55,577</u>
Non-current liabilities:		
Compensated absences	186,184	
Bonds, notes and loans payable	55,282,592	
Total non-current liabilities	<u>55,468,776</u>	
Total liabilities	<u>62,625,719</u>	<u>55,577</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	32,402,793	3,665,579
Restricted for debt service	1,220,920	
Restricted for capital projects	8,965,439	
Unrestricted	12,533,421	430,563
Total net assets	<u>\$ 55,122,573</u>	<u>\$ 4,096,142</u>

See notes to financial statements.



**CITY OF LEAGUE CITY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2005*

	<b>Business-type Activities Enterprise Fund</b>	<b>Governmental Activities -</b>
	<b>Water and Wastewater</b>	<b>Internal Service Funds</b>
<b>REVENUES</b>		
Charges for services	\$ 18,525,851	\$
Miscellaneous		19,676
Total operating revenues	<u>18,525,851</u>	<u>19,676</u>
<b>OPERATING EXPENSES</b>		
Personal services	3,752,183	
Contractual services	2,571,139	1,858
Utilities	850,955	
Repairs and maintenance	477,482	
Other supplies and expenses	558,747	9,957
Depreciation	2,358,895	696,441
Total Operating Expenses	<u>10,569,401</u>	<u>708,256</u>
Operating income (loss)	<u>7,956,450</u>	<u>(688,580)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	848,679	9,665
Interest expense	(3,634,439)	
Bond issuance costs	(222,524)	
(Loss) on disposal of assets	(115,327)	(25,776)
Total non-operating revenue (expenses)	<u>(3,123,611)</u>	<u>(16,111)</u>
Income (loss) before contributions and transfers	4,832,839	(704,691)
Capital contributions	4,353,738	
Transfers in	23,653	780,174
Transfers out	(1,500,000)	(23,053)
Change in net assets	7,710,230	52,430
Total net assets - beginning, as restated	<u>47,412,343</u>	<u>4,043,712</u>
Total net assets - ending	<u>\$ 55,122,573</u>	<u>\$ 4,096,142</u>

See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2005*

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water and Wastewater Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 17,719,688	\$ 19,676
Disbursed for personnel services	(3,737,220)	
Disbursed for goods and services	(4,240,417)	22,222
<b>Net cash provided (used) by operating activities</b>	<b>9,742,051</b>	<b>41,898</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Due from other funds		42,211
Transfers from other funds	2,015,221	780,174
Transfers to other funds	(3,514,621)	
<b>Net cash provided by (used by) noncapital financing activities</b>	<b>(1,499,400)</b>	<b>822,385</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	22,702,588	
Principal payments on debt	(13,348,609)	
Acquisition and construction of capital assets	(5,263,082)	(594,779)
Capital recovery fees	2,515,738	
Miscellaneous revenue	46,813	
Interest paid on capital debt	(3,540,861)	
Bond issuance costs	(222,524)	
Gain on sale of land	(115,327)	(25,776)
Miscellaneous expenses	(52,327)	
<b>Net cash used by capital and related financing activities</b>	<b>2,722,409</b>	<b>(620,555)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,785,423)	(281,575)
Interest and dividend received	848,679	9,666
<b>Net cash provided by (used by) investing activities</b>	<b>(1,936,744)</b>	<b>(271,909)</b>
<b>Net decrease in cash and equivalents</b>	<b>9,028,316</b>	<b>(28,181)</b>
Cash and equivalents, beginning of year	18,338,005	34,515
<b>Cash and equivalents, at end of year</b>	<b>\$ 27,366,321</b>	<b>\$ 6,334</b>
Unrestricted cash and equivalents	\$ 4,824,535	\$ 6,334
Restricted cash and equivalents	22,541,786	
	<b>\$ 27,366,321</b>	<b>\$ 6,334</b>

**CITY OF LEAGUE CITY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**For the Year Ended September 30, 2005**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Wastewater Enterprise Fund</u>	<u>Internal Service Funds</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating Income (Loss)	\$ 8,039,501	\$ (688,580)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,244,302	696,441
(Increase) decrease in accounts receivable	(262,535)	
(Increase) decrease in other receivables		
(Increase) decrease in prepaid expenses	1,773	
Increase (decrease) in accounts payable	(329,765)	34,037
Increase (decrease) in salaries payable	(6,957)	
Increase (decrease) in accrued expenses	531,292	
Increase (decrease) in deferred revenues	(496,815)	
Increase (decrease) in compensated absences	21,255	
<b>Net cash provided by operating activities</b>	<u>\$ 9,742,051</u>	<u>\$ 41,898</u>

See notes to financial statements.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of League City, Texas (the "City") was incorporated in May 1962 and has adopted a Home-Rule Charter. The Charter provides for a "Mayor-Council" form of City government. A Mayor and seven Council members are elected by voters of the City at large for three-year terms.

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

The City provides the following services: public safety (police, fire, and EMS), public works, parks and recreation, library, water and sewer, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Governmental Activities:**

**City of League City Section 4B Economic Development Corporation**

All powers of the Corporation are vested in a Board consisting of seven (7) persons who are appointed by the City Council. The Board acts on behalf of the City in administering the provisions of Section 4B, Article 5190.6, of the Development Act of 1979, State of Texas. The Corporation is funded by a 1/4% 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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

**City of League City Economic Development Corporation**

The members of the governing board are appointed by the City Council and operational and capital budgets are approved by the Council as well. Bonds were authorized by City Council to finance a commercial project within or adjacent to eligible blighted areas (EBA). The Economic Development Revenue Bonds have not been issued.

**Destination League City Convention and Visitors Corporation**

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

**City of League City Tax Increment Reinvestment Zone (TIRZ) No. 1 – Magnolia Creek**

Most of the six members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. This entity was created to provide the financing and management tool needed to facilitate development of a master planned community and golf course within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the Zone.

**City of League City Tax Increment Reinvestment Zone (TIRZ) No. 2 – Victory Lakes**

Most of the seven members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The Clear Creek Independent School District (CCISD) is a participant in this reinvestment zone and does appoint one member to the Board. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the Zone.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

**City of League City Tax Increment Reinvestment Zone (TIRZ) No. 3 – Center Pointe**

Most of the six members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the Zone.

**City of League City Public Improvement District No. One - Magnolia Creek**

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

**City of League City Public Improvement District No. Two - Victory Lakes**

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

**City of League City Public Improvement District No. Three - CenterPointe**

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

**League City Emergency Medical Services**

The members of the governing board are appointed by the City Council. The City Ambulance Board is responsible to the City Council for providing ambulance service for the Citizens of League City. The Board's operational and capital budgets are approved by 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 League City.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

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' board and is either able to impose its will on them or a financial benefit/burden exists.

Complete financial statements of the individual component units can be obtained directly from administrative offices of the City of League City, 300 West Walker, League City, Texas 77573.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The following Municipal Utility Districts have not been included within the reporting entity: South Shore Harbour Municipal Utility Districts 2, 3, 6, 7 and Galveston County Municipal Utility Districts 2, 3, 6, 13, 14, 15 and 39.

The City acts as an "Operator" of the facilities. The City rebates to nine of the districts 20-40% of taxes levied and collected within the districts but does not guarantee the debt of the districts. The Municipal Utility District's Board of Directors is elected officials and the City exercises no control over the governing authority. The City has ownership rights in the facilities, however, the City does not have title to the assets until such time after the districts' debt is retired and the facilities are contributed to the City.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information about the City as a whole. These statements include all nonfiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-Wide and Fund Financial Statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recognized 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.

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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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 property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred revenues at year-end. Property taxes collected within 60 days subsequent to year end, have not been recorded as revenue as the amount is not considered material. Franchise taxes and Sales taxes relating to underlying transactions that occurred prior to year end, have been recorded as receivables and revenue. Licenses and permits, and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and other community services.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general long-term debt of the City except for capital leases which are accounted for in the General Fund. The primary source of revenue for the Debt Service Fund is general property taxes.

*2005A Certificates of Obligation Fund* is used to account for the construction and improvements relating to Palomino Road and the Victory Lakes subdivision. This includes construction of streets and sidewalks, water, sewer and drainage facilities in the League City Tax Increment Reinvestment Zone #2 and the City of League City Public Improvement District #2.

The City has one major proprietary fund

The *Water and Wastewater Enterprise Fund* is used to account for operations of the water and wastewater division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises - where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), federal grants, impact fees and other City funds.

Private-sector standards for accounting and financial reporting issued prior to December 1, 1999, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The City has elected not to follow private sector guidance issued subsequent to that date.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Additionally the City reports the following fund type:

The *Internal Service Fund* is used to account for the financing of goods or services by one department to other departments, on a cost reimbursement basis. These funds are also used to account for the systematic transfers of funds from general governmental and enterprise funds to accumulate, invest and purchase capital assets.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund are charges to customers for sales and services. Operational expenses for the fund and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

The City classifies net assets into three components as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**D. Cash and equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in a privately managed public funds investment pool ("TexPool") 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and equivalents (continued)**

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. 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.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments.

**E. Investments**

Investments consist of in United States (US) Government and Agency securities. The City reports all investments at fair value based on quoted market prices at year-end date.

**F. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

**G. Due To and From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivable and payables are, for the most part, eliminated from the Government-Wide Statement of Net Assets and are recorded as "due from other funds" or "due to other funds" in the fund financial statements.

**H. 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 consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased fixed assets are valued at cost where historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain and equipment are capitalized and depreciated over the remaining useful lives of the related fixed assets using the straight line method, as applicable.

<u>Asset</u>	<u>Estimated Useful Lives</u>
Streets and improvements	50 years
Water and sewer system	50 years
Heavy equipment	20 years
Building and improvements	15 years
Furniture and fixtures	10 years
Automobiles, trucks and equipment	5 years

**J. Compensated Absences**

Employees earn vacation based on years of service with the City and may accrue a maximum amount of vacation leave in the following non-cumulative amounts depending on length of service:

Length of Service	Maximum vacation leave accrual
1 – 60 months	160 hours
61 – 120 months	240 hours
121 – 180 months	320 hours
181 – 240 months	400 hours
more than 240	480 hours

In accordance with GAAP, the liability for accumulated vacation at September 30, 2005 has been recorded as a liability in the Government-Wide Statement of Net Assets. Upon retirement from the City of League City, an employee will receive compensation for unused sick leave hours. No compensation will be made for accrued sick leave in excess of seven hundred twenty (720) hours. Civil service personnel are also compensated for accrued sick leave up to 90 days upon termination of employment.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. General Property Taxes**

All taxes due the City on real or personal property are payable at the Office of the City Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

**L. Debt Service**

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

**M. 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. The contractual deposit in the Enterprise Fund is the result of the 1985 Gulf Coast Waste Disposal Authority (GCWDA) bond and contractual agreement. These funds are controlled by the GCWDA and are restricted for construction projects. Additional restricted assets of the Enterprise Fund are restricted by bond covenants for repayment of debt and to finance construction projects.

**N. Bond Discounts/Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts and issuance costs are recorded as deferred charges.

**O. Fund Equity**

In the fund financial statement the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved net assets for proprietary funds represent the net assets available for future operations or distribution. Reserved net assets for proprietary funds represent the net assets that have been legally identified for specific purposes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Post-employment Healthcare Benefits**

The City does provide post-employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs. In January of 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.

**NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS**

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as *to* investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, banker's acceptances, mutual funds, repurchase agreements, commercial paper and government/private sponsored investment pools. The maximum maturity allowed is three years from date of purchase. The City's investment policy does not allow investments in collateralized mortgage obligations, floating rate investments or swaps.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)**

**Deposit and Investment Amounts**

The City's cash and investments are classified as: cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, short-term investments in a privately-managed public funds investment pool account (TexPool) and the Texas Short Term Asset Reserve Program (TexStar). The investments, which have maturities at purchase of greater than three months, consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations. The restricted cash and investments are assets restricted for specific use. The restricted cash and investments include cash on deposit with financial institutions, TexPool, and U.S. Government Securities. For better management of cash, the City pools the cash, based on the City's needs, into either deposits in the bank/sweep accounts, in short term investments with TexPool, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City. The following schedule shows the City's recorded cash and investments at year-end:

	<b>Total Fair Value</b>
Cash deposits	\$ 3,128,967
Temporary Investments	
FHLB	7,446,383
FHLMC	1,987,632
FNMA	979,028
Public Funds Investment Pools	
TexPool	22,830,755
TexStar	14,451,694
	<u>\$ 50,824,459</u>

Quoted market prices are the basis of the fair value for US Treasury and Agency securities . The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

Interest income	\$ 140,136
unrealized gain (loss) on temporary investments	(47,406)
Investment earnings	<u>\$ 92,730</u>

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)**

***Investment Risks***

***Interest Rate Risk***

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Temporary Investments		
U.S. Agency Securities	10,413,043	342
Public Funds Investment Pools		
TexPool	22,830,755	1
TexStar	14,451,694	1
	<u>\$ 47,695,492</u>	
<b>Portfolio weighted average maturity</b>		<u>76</u>

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City’s investment policy specifies a maximum weighted average maturity of 365 days or 12 months based on the stated maturity date for each investment in the portfolio.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than three years or 1095 days from date of purchase. The settlement date is considered the date of purchase

***Concentration of Credit Risk***

***Concentration of Credit Risk***

The City’s investment policy allows investments by type based on the following diversification requirements:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 50%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 75%
Authorized Investment Pools	up to 75% total
Bankers' Acceptances	up to 25%
No Load Money Market Mutual Funds	up to 50%



**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)**

The City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Percentage of Total Portfolio</b>
FHLMC	\$ 1,987,632	4%
FHLB	7,446,383	14%
FNMA	979,028	2%
TexPool	22,830,755	42%
TexStar	14,451,694	26%
<b>Total</b>	<b>\$ 47,695,492</b>	<b>87%</b>

*Credit Risk*

At year-end balances in TexPool, a privately managed public funds investment pool, was rated AAAM by Standard & Poor’s.

Federal Home Loan Mortgage Corporation (FLHMC) agency notes, Federal Home Loan Bank (FHLB) agency notes, and Federal National Mortgage Association (FNMA) agency notes were rated AAA by Standard & Poor’s, AAA by Fitch Ratings, and Aaa by Moody’s Investors Service.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City’s investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)**

**Restricted Assets**

As of September 30, 2005, the City held restricted cash and temporary investments in the water and sewer enterprise fund for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Customer deposits	\$ 531,292
Construction	20,099,626
Debt service	1,910,868
	<u>\$ 22,541,786</u>

The City maintains several cash and investment pools that are available for use by all funds. Each fund type's portion of these pools is displayed on the combined balance sheet as "Equity in pooled cash and investments." In addition, cash and investments are held separately by several of the City's funds.

The City has a contractual deposit with the Gulf Coast Waste Disposal Authority for \$705,056 as a required reserve amount in connection with the Series 1985, Contract Revenue Refunding Bonds. These funds are on deposit with an agent of the Gulf Coast Waste Disposal Authority.

Investments The Texas Short Term Asset Reserve Program (TexStar) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible government entities to invest their public funds and funds under their control through the investment pools.

JP Morgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co administrators for TexStar under an agreement with the TexStar board of directors. JP Morgan Fleming Asset Management, Inc. Provides investment services and First Southwest Asset Management, Inc. provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank and/or its subsidiary JP Morgan Investor Services Co.

The primary objectives of TexStar are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks and yield. The only source of payment of participants is the market value of assets of the TexStar Fund in which they invest and the income and profits derived from those assets.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - RECEIVABLES**

Amounts recorded as receivables as of September 30, 2005 for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	General	Debt Service	Water and Wastewater	Nonmajor Funds	Total
Receivables:					
Taxes	\$ 1,369,218	\$ 708,431	\$		\$ 2,077,649
Accounts	1,252,304		2,774,278		4,026,582
Outstanding warrants	3,126,463				3,126,463
Due from other governments	1,260,570				
Interest	67,764	17,647	118,625		204,036
Other	2,043		11,030	207,021	220,094
Gross receivables	<u>7,078,362</u>	<u>726,078</u>	<u>2,903,933</u>	<u>207,021</u>	<u>9,434,730</u>
Less: allowance for uncollectibles	<u>(3,058,429)</u>	<u>(409,164)</u>	<u>(45,506)</u>		<u>(3,513,099)</u>
Net total receivables	<u>\$ 4,019,933</u>	<u>\$ 316,914</u>	<u>\$ 2,858,427</u>	<u>\$ 207,021</u>	<u>\$ 5,921,631</u>

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in governmental activities capital assets of the City for the year ended September 30, 2005 follows:

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,088,223	\$ 93,948	\$	\$ 11,182,171
Construction in progress	17,144,739	2,786,258	(15,681,650)	4,249,347
Total capital assets, not being depreciated	<u>28,232,962</u>	<u>2,880,206</u>	<u>(15,681,650)</u>	<u>15,431,518</u>
Capital assets being depreciated:				
Infrastructure	174,800,476	15,013,805	(1,966,880)	187,847,401
Buildings and improvements	14,557,248	19,001,886		33,559,134
Machinery and equipment	13,459,798	2,123,054	(375,257)	15,207,595
Total capital assets being depreciated	<u>202,817,522</u>	<u>36,138,745</u>	<u>(2,342,137)</u>	<u>236,614,130</u>
Less accumulated depreciation for:				
Infrastructure	(86,007,007)	(7,472,704)	57,970	(93,421,741)
Building and improvements	(6,199,754)	(507,615)		(6,707,369)
Machinery and equipment	(7,409,252)	(1,377,141)	334,076	(8,452,317)
Total accumulated depreciation	<u>(99,616,013)</u>	<u>(9,357,460)</u>	<u>392,047</u>	<u>(108,581,427)</u>
Total capital assets being depreciated, net	<u>103,201,509</u>	<u>20,819,283</u>	<u>(1,950,087)</u>	<u>128,032,703</u>
Governmental activities capital assets, net	<u>\$ 131,434,471</u>	<u>\$ 23,699,489</u>	<u>\$ (17,631,737)</u>	<u>\$ 143,464,221</u>

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS (continued)**

A summary of changes in business-type activities capital assets of the City for the year ended September 30, 2005 follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 698,893	\$	\$	\$ 698,893
Construction in progress	5,310,980	1,835,664	(4,345,525)	2,801,119
Total capital assets, not being depreciated	<u>6,009,873</u>	<u>1,835,664</u>	<u>(4,345,525)</u>	<u>3,500,012</u>
Capital assets being depreciated:				
Infrastructure	69,877,700	9,440,944	(130,000)	79,188,644
Buildings and improvements	178,992			178,992
Machinery and equipment	5,004,274	311,120	(128,034)	5,187,360
Total capital assets being depreciated	<u>75,060,966</u>	<u>9,752,064</u>	<u>(258,034)</u>	<u>84,554,995</u>
Less accumulated depreciation for:				
Infrastructure	(15,555,891)	(1,390,907)	5,200	(16,941,598)
Building and improvements	(123,733)	(6,082)		(129,815)
Machinery and equipment	(2,690,891)	(686,994)	128,034	(3,249,851)
Total accumulated depreciation	<u>(18,370,515)</u>	<u>(2,083,983)</u>	<u>133,234</u>	<u>(20,321,264)</u>
Total capital assets being depreciated, net	<u>56,690,451</u>	<u>7,668,081</u>	<u>(124,800)</u>	<u>64,233,731</u>
Business-type activities capital assets, net	<u>\$ 62,700,324</u>	<u>\$ 9,503,745</u>	<u>\$ (4,470,325)</u>	<u>\$ 67,733,743</u>

Depreciation was charged to functions of the primary government as follows:

**Governmental activities:**

General	735,835
Public safety	688,788
Public works	7,607,408
Community services	325,429
	<u>\$ 9,357,460</u>

**Business-type activities:**

Water and sewer	<u>\$ 2,083,983</u>
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**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS (continued)**

**Discretely Presented Business Type Component Units**

	<b>Balance October 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2005</b>
<b>Emergency Medical Service</b>				
Capital assets being depreciated:				
Buildings and improvements	1,000			1,000
Machinery and equipment	38,079			38,079
Total capital assets being depreciated	39,079			39,079
Less accumulated depreciation for:				
Building and improvements	(1,000)			(1,000)
Machinery and equipment	(32,013)	(2,976)		(34,989)
Total accumulated depreciation	(33,013)	(2,976)		(35,989)
Emergency Medical Service, Net	<u>\$ 6,066</u>	<u>\$ (2,976)</u>	<u>\$</u>	<u>\$ 3,089</u>

	<b>Balance October 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2005</b>
<b>Volunteer Fire Department</b>				
Capital assets, not being depreciated:				
Land	\$ 41,080	\$	\$	\$ 41,080
Capital assets being depreciated:				
Buildings and improvements	115,013			115,013
Machinery and equipment	45,806			45,806
Total capital assets being depreciated	160,819			160,819
Less accumulated depreciation for:				
Building and improvements	(87,878)	(3,557)		(91,435)
Machinery and equipment	(34,174)	(3,505)		(37,679)
Total accumulated depreciation	(122,052)	(7,062)		(129,114)
Total capital assets being depreciated, net	38,767	(7,062)		31,705
Voluntary Fire Department, Net	<u>\$ 79,847</u>	<u>\$ (7,062)</u>	<u>\$</u>	<u>\$ 72,785</u>

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS (continued)**

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2005, are as follows:

<b>Governmental Activities</b>	<b>Authorized Contract</b>	<b>Contract Expenditures</b>	<b>Remaining Contract</b>
Brittany Bay Blvd Total	\$ 1,859,199	\$ 1,593,050	\$ 266,149
Butler Museum Total	785,840	625,187	210
Clear Creek Heights Drainage Total	171,432	146,012	25,420
Clear Creek Nature Park Total	179,341	153,409	25,932
Fire Station #1 Renovation Total	960,462	960,362	100
Hike & Bike, Phase II Total	60,274	56,421	3,853
Natorium Total		216,712	
NPDES Stormwater Plan Total		52,594	
Oaks/Clear Creek Sound Wall Total	130,505	123,548	6,958
Contracts under \$50,000	132,000	247,656	30,275
Hike & Bike, Phase I		74,397	
	<u>\$ 4,279,052</u>	<u>\$ 4,249,347</u>	<u>\$ 358,896</u>

<b>Business-type activities</b>	<b>Authorized Contract</b>	<b>Contract Expenditures</b>	<b>Remaining Contract</b>
2005 Sanitary Sewer Rehab Total	\$ 344,005	\$ 21,535	\$ 322,470
24" Gravity Line - Butler Road Total	143,200	140,716	2,484
30" Waterline, West Side Total	236,000	108,761	127,239
DSWWTP 4.5 MGD Expansion Total	1,358,671	613,445	745,226
DSWWTP Headworks Expansion Total	105,204	52,576	52,628
DSWWTP Lift Station E xpansion Total	5,397,261	719,609	4,677,652
FM 518 , Wesley to League St Total	56,414	55,599	816
Hobbs Rd, FM 518 SE Total	509,008	597,696	33,937
Palamino Rd-18" Gravity SL Total	94,835	13,415	81,419
Texas Avenue, Webster to Maria Total	269,499	64,312	205,187
Contracts under \$50,000	205,563	413,456	
	<u>\$ 8,719,660</u>	<u>\$ 2,801,119</u>	<u>\$ 6,249,058</u>

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT**

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

During the year ended September 30, 2005 the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 18,694,175	\$	\$ (1,231,525)	\$ 17,462,650	\$ 1,147,367
Certificates of obligation	29,344,644	14,175,000	(1,024,857)	42,494,787	1,821,116
Deferred bond issuance costs	(790,544)	(37,972)	111,608	(864,180)	
Compensated absences	1,761,662	665,179	394,734	2,032,107	130,000
Governmental activity					
Long-term liabilities	<u>\$ 49,009,937</u>	<u>\$ 14,802,207</u>	<u>\$ (1,750,040)</u>	<u>\$ 61,125,364</u>	<u>\$ 3,098,483</u>
<b>Business-type Activities</b>					
Revenue bonds	\$ 14,236,012	\$ 20,960,000	\$ (9,361,012)	\$ 25,835,000	\$ 1,914,971
General obligation bonds	23,750,826	-	(1,333,476)	22,417,350	2,057,633
Certificates of obligation	7,225,356	-	(430,143)	6,795,213	443,885
Contract revenue bonds	6,819,971		(490,000)	6,329,971	
Deferred bond issuance costs	(1,745,525)	(213,353)	280,425	(1,678,453)	(159,694)
Compensated absences	269,929	101,922	55,667	316,184	30,000
Business-type activity					
Long-term liabilities	<u>\$ 50,556,569</u>	<u>\$ 20,848,569</u>	<u>\$ (11,278,539)</u>	<u>\$ 60,015,265</u>	<u>\$ 4,286,795</u>
<b>Component Unit</b>					
Revenue bonds	\$ 2,660,000		\$ (185,000)	\$ 2,475,000	\$ 600,000
Total Long-term liabilities	<u>\$ 2,660,000</u>	<u>\$ -</u>	<u>\$ (185,000)</u>	<u>\$ 2,475,000</u>	<u>\$ 600,000</u>

Governmental activity compensated absences have traditionally been liquidated out of the General Fund in the prior years.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (continued)**

Annual debt service requirements to retire outstanding general obligation bonds are as follows:

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,147,367	\$ 704,514	\$ 1,851,880	\$ 2,057,633	\$ 1,031,859	\$ 3,089,492
2007	1,551,621	646,867	2,198,488	2,583,379	927,593	3,510,971
2008	1,513,520	579,654	2,093,174	2,681,480	803,831	3,485,311
2009	1,521,763	514,638	2,036,401	2,893,237	669,976	3,563,213
2010	1,652,864	449,698	2,102,563	3,047,136	525,477	3,572,613
2011	1,632,840	378,795	2,011,635	3,167,160	371,019	3,538,179
2012	1,682,404	304,724	1,987,128	3,327,596	207,144	3,534,740
2013	1,509,708	233,370	1,743,078	1,530,292	82,852	1,613,144
2014	1,718,572	165,107	1,883,679	356,428	35,668	392,096
2015	742,497	117,869	860,366	162,503	25,797	188,299
2016	553,796	95,648	649,444	121,204	20,933	142,137
2017	553,796	75,919	629,715	121,204	16,616	137,819
2018	557,899	55,421	613,319	122,101	12,129	134,231
2019	562,001	33,720	595,721	122,999	7,380	130,379
2020	562,001	11,240	573,241	122,999	2,460	125,459
	<u>\$ 17,462,650</u>	<u>\$ 4,367,183</u>	<u>\$ 21,829,833</u>	<u>\$ 22,417,350</u>	<u>\$ 4,740,733</u>	<u>\$ 27,158,083</u>

Annual debt service requirements to retire outstanding certificates of obligation are as follows:

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,821,116	\$ 1,718,902	\$ 3,540,018	\$ 443,885	\$ 323,691	\$ 767,576
2007	1,764,245	1,655,615	3,419,860	455,755	302,587	758,342
2008	1,745,504	1,592,799	3,338,303	469,496	280,666	750,162
2009	1,796,763	1,528,050	3,324,813	483,237	257,812	741,049
2010	1,853,022	1,458,465	3,311,487	501,978	233,861	735,839
2011	1,912,410	1,384,443	3,296,853	522,590	208,662	731,251
2012	1,978,670	1,306,694	3,285,364	541,331	182,177	723,508
2013	2,048,058	1,224,515	3,272,573	561,942	154,343	716,285
2014	1,535,000	1,149,403	2,684,403	345,000	131,593	476,593
2015	1,590,000	1,090,627	2,680,627	360,000	114,320	474,320
2016	1,655,000	1,029,159	2,684,159	380,000	96,000	476,000
2017	1,720,000	964,010	2,684,010	400,000	76,500	476,500
2018	1,800,000	894,085	2,694,085	420,000	56,000	476,000
2019	1,865,000	818,819	2,683,819	445,000	34,375	479,375
2020	1,950,000	739,294	2,689,294	465,000	11,625	476,625
2021	2,035,000	655,206	2,690,206			
2022	2,125,000	565,961	2,690,961			
2023	2,215,000	471,563	2,686,563			
2024	1,765,000	380,469	2,145,469			
2025	1,300,000	296,610	1,596,610			
2026	770,000	249,688	1,019,688			
2027	805,000	214,016	1,019,016			
2028	840,000	176,750	1,016,750			
2029	660,000	143,281	803,281			
2030	690,000	113,750	803,750			
2031	720,000	82,906	802,906			
2032	750,000	50,750	800,750			
2033	785,000	17,172	802,172			
	<u>\$ 42,494,787</u>	<u>\$ 21,973,001</u>	<u>\$ 64,467,789</u>	<u>\$ 6,795,213</u>	<u>\$ 2,464,212</u>	<u>\$ 9,259,424</u>



**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM DEBT (continued)**

Annual debt service requirements to retire outstanding revenue bonds are as follows:

Year Ending September 30	Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,914,971	\$ 1,932,004	\$ 3,846,975	\$ 195,000	\$ 104,690	\$ 299,690
2007	1,840,000	1,258,432	3,098,432	205,000	124,550	329,550
2008	1,885,000	1,182,284	3,067,284	215,000	113,685	328,685
2009	1,920,000	1,106,779	3,026,779	225,000	102,075	327,075
2010	1,965,000	1,026,622	2,991,622	235,000	89,925	324,925
2011	2,010,000	941,707	2,951,707	250,000	77,000	327,000
2012	2,055,000	854,059	2,909,059	265,000	63,250	328,250
2013	1,610,000	763,157	2,373,157	280,000	48,675	328,675
2014	1,640,000	694,251	2,334,251	295,000	33,275	328,275
2015	1,655,000	625,995	2,280,995	310,000	17,050	327,050
2016	1,675,000	558,455	2,233,455			
2017	1,700,000	488,864	2,188,864			
2018	1,735,000	417,395	2,152,395			
2019	1,760,000	343,803	2,103,803			
2020	1,785,000	268,285	2,053,285			
2021	1,285,000	201,306	1,486,306			
2022	1,035,000	141,939	1,176,939			
2023	855,000	100,283	955,283			
2024	900,000	62,100	962,100			
2025	940,000	21,150	961,150			
	<u>\$ 32,164,971</u>	<u>\$ 12,988,866</u>	<u>\$ 45,153,837</u>	<u>\$ 2,475,000</u>	<u>\$ 774,175</u>	<u>\$ 3,249,175</u>

The following is a summary of the terms of obligations of certificates of obligation, general obligation bonds and revenue bonds outstanding as of September 30, 2005:

Governmental activities	Series	Original Issue	Interest Rate	Debt Outstanding
<b>General Obligation Bonds</b>				
	1995 General Obligation Bonds	6,815,000	4.70% to 7.50%	\$ 1,100,000
	1997 General Obligation Refunding Bonds	3,283,353	4.25% to 5.00%	1,161,440
	1999 General Obligation Refunding Bonds	4,601,840	4.30% to 5.00%	3,907,660
	2002 General Obligation Refunding Bonds	2,935,670	3.25% to 4.75%	2,809,441
	2003 General Obligation Refunding Bonds	9,350,320	2.00% to 4.00%	8,484,109
				<u>17,462,650</u>
				(0)
<b>Certificates of Obligation</b>				
	1994 Tax and Revenue Certificates of Obligation	1,700,000	5.00% to 7.00%	80,000
	1995 Tax and Revenue Certificates of Obligation	500,000	4.75% to 5.55%	100,000
	1999 Tax and Revenue Certificates of Obligation	7,638,360	4.30% to 5.30%	2,894,788
	2003A Tax and Revenue Certificates of Obligation	7,500,000	2.00% to 4.25%	6,965,000
	2003B Tax and Revenue Certificates of Obligation	10,350,000	2.00% to 4.25%	10,325,000
	2003C Tax and Revenue Certificates of Obligation	3,135,000	1.50% to 4.00%	2,885,000
	2004A Tax and Revenue Certificates of Obligation	5,070,000	3.00% to 5.00%	5,070,000
	2004B Tax and Revenue Certificates of Obligation	5,675,000	3.60% to 4.38%	5,675,000
	2005A Tax and Revenue Certificates of Obligation	500,000	4.00% to 4.50%	500,000
				<u>34,494,788</u>
<b>Total Governmental Activities</b>				<u>\$ 51,957,438</u>

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM DEBT (continued)**

<b>Business-type activities</b>				<b>Debt</b>
	<b>Series</b>	<b>Original Issue</b>	<b>Interest Rate</b>	<b>Outstanding</b>
<b>Revenue Bonds</b>				
1999	Water Works and Sewer System Revenue Bonds	12,170,000	4.30% to 5.90%	1,220,000
2002	Water Works & Sewer System Revenue Bonds	4,310,000	4.50% to 5.50%	3,655,000
2004	Water Works & Sewer System Revenue Bonds	12,790,000	3.00% to 4.50%	12,790,000
2005	Water Works & Sewer System Revenue Refunding Bonds	8,170,000	3.870%	8,170,000
				<u>25,835,000</u>
<b>Contract Revenue Bonds</b>				
1985	GCWDA Contract Revenue Refunding Bonds	\$ 4,499,683	8.65% to 9.00%	\$ 119,971
1999B	GCWA Contract Revenue Refunding Bonds	4,700,000	3.50% to 5.00%	2,860,000
2001	GCWA Contract Revenue Bonds	4,150,000	3.00% to 4.90%	3,350,000
				<u>6,329,971</u>
<b>General Obligation Bonds</b>				
1997	General Obligation Refunding Bonds	5,446,647	4.25% to 5.00%	3,598,560
1999	General Obligation Refunding Bonds	18,860,000	4.30% to 5.50%	12,107,340
2002	General Obligation Refunding Bonds	4,749,330	3.25% to 4.75%	4,700,559
2003	General Obligation Refunding Bonds	1,969,680	2.00% to 4.00%	2,010,891
				<u>22,417,350</u>
<b>Certificates of Obligation</b>				
1998	Combination Tax and Revenue Certificates of Obligation	6,115,000	5.00% to 7.00%	5,065,000
1999	Combination Tax and Revenue Certificates of Obligation	4,371,640	4.30% to 5.90%	1,730,213
				<u>6,795,213</u>
<b>Total Business-type Activities</b>				<u>\$ 61,377,533</u>

<b>Component Unit</b>				<b>Debt</b>
	<b>Series</b>	<b>Original Issue</b>	<b>Interest Rate</b>	<b>Outstanding</b>
<b>Revenue Bonds</b>				
1995	Sales Tax Revenue Bonds	\$ 3,935,000	3.90% to 5.50%	\$ 2,475,000
				<u>\$ 2,475,000</u>

**Prior Year Advanced Refunding of Long-Term Debt**

In a prior year, the City issued General Obligation Refunding Bonds, Series 2004 to advance refund a portion of the following bond series: Public Improvement Bonds, Series 1992; Combination Tax and Revenue Certificates of Obligation, Series 1994, General Obligation Bonds, Series 1994, Combination Tax and Revenue Certificates of Obligation, Series 1995, General Obligation Bonds, Series 1995 and Combination Tax and Revenue Certificates of Obligation, Series 1999. The proceeds of the bond issue were placed in an irrevocable trust with an escrow agent to provide for the debt service payments until the refunded bonds are called in 2007. As of September 30, 2005, \$4.8 million of the refunded portion of the bonded debt remains outstanding and are considered defeased.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM DEBT (continued)**

**Current Year Refunding**

In the fiscal year ended September 30, 2005, the City issued Waterworks and Sewer System Revenue Refunding Bonds, Series 2005 to advance refund a portion of the following bonds: Waterworks and Sewer System Revenue Bonds, Series 1999. The proceeds of the bonds were placed in an irrevocable trust with an escrow agent to provide for the debt service payments until the refunded bonds are called in 2007. As of September 30, 2005, \$7.9 million of the refunded portion of the bonded debt remains outstanding and are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$213,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2020 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$921,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$895,000.

**Legal Compliance**

A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

A summary of permanent improvement bonds authorized, but unissued at September 30, 2005 follows:

<b>Purpose</b>	<b>Date Authorized</b>	<b>Amount Authorized</b>	<b>Amount Unissued</b>
City hall	07/15/69	\$ 862,250	\$ 6,250
Public safety improvements	09/19/92	400,000	400,000
		\$ 1,262,250	\$ 406,250

**NOTE 7 - DEFERRED REVENUE**

Revenue from delinquent property taxes receivable of \$1,260,130 at September 30, 2005, has been deferred in the fund financial statements until collected. Delinquent tax collections during the first sixty days subsequent to September 30, 2005, have not been recorded as revenue as of September 30, 2005, as the amount is not considered material. Uncollected fees in the amount of \$331,908 for garbage services and \$870,732 for municipal court receivables have also been deferred in the fund financial statements at September 30, 2005.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – INTERFUND TRANSACTIONS**

The following is a summary of interfund activity at September 30, 2005:

<b>Transfer in</b>	<b>Transfer Out</b>			<b>Total</b>
	<b>General</b>	<b>Water and Waste Water</b>	<b>NonMajor Funds</b>	
General	\$	\$ 1,250,000	\$ 59,470	\$ 1,309,470
Debt Service		250,000		250,000
NonMajor Governmental	3,119,223			3,119,223
Water and Waste Water	600		23,053	23,653
				-
	<u>\$ 3,119,823</u>	<u>\$ 1,500,000</u>	<u>\$ 82,523</u>	<u>\$ 4,702,346</u>

Amounts transferred between funds relate to the following:

<b>From</b>	<b>To</b>	<b>Purpose</b>
General Fund	Water and sewer	Reimbursement of salaries
General Fund	Capital Projects	Fund construction in progress
Water and Waste Water	Debt Service	Assist with bonded debt payments
Water and Waste Water	General Fund	Reimburse administrative charges
Capital Projects	General Fund	Reimbursement of project costs
Internal Service	Water and Waste Water	Transfer of assets

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows as of April 1, 2005:

**Deposit Rate: 7%**

**Matching Ratio (City to Employee): 2 to 1**

**A member is vested after 5 years**

Members can retire at certain ages, based on the years of service with the City.

**The Service Retirement Eligibilities for the city, expressed as Age/Years of Service are:**

**5 yrs/age 60, 20 yrs/any age**

*\*To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 4/1/05 to the actuary in calculating the 12/31/04 valuation.*

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM (continued)**

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2004 valuation is effective for rates beginning January 2006).

**Annual Pension Cost**

The City's annual pension cost was equal to the City's required and actual contributions. Three-year trend information for the City's TMRS plan follows:

Fiscal Year	Annual Pension Cost	Percentage Contributed
2005	\$ 1,930,434	100%
2004	1,669,893	100%
2003	1,474,827	100%

The City of League City is one of 801 municipalities having the benefit plan administered by TMRS. Each of the 801 Municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2004 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, TX, 78714-9153.

The City's annual covered payroll and annual pension cost are actuarially valued on a calendar year basis. Because the City makes all of the annually required contributions, no net pension obligation exists. The information presented below was determined as part of the actuarial valuations as of December 31, 2004.

**Actuarial Assumptions**

Valuation date	December 31, 2004
Actuarial cost method	Unit Credit
Amortization method	Level Percent of Payroll
Remaining amortization period	25 years - Open
Asset valuation method	Amortized Cost
Investment rate of return	7%

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - CONTRACTS**

Summaries of the City's significant contracts follow:

**A. Gulf Coast Water Authority**

The City together with the City of Galveston contracted with the Gulf Coast Water Authority ("GCWA") pursuant to which the GCWA issued \$3,650,000 Water Revenue Bonds, Series 1971 and \$25,840,000 City of Houston Southeast Water Purification Project Contract Revenue Bonds, Series 1987 (the "Series 1987 Bonds"). The proceeds of the Series 1987 Bonds were used to finance each city's pro rata share of a purification plant located at Ellington Field. The plant is designed to provide a regional surface water supply to eastern Harris County and Galveston County. The GCWA purchased 21 MGD capacity in the plant, of which the City of Galveston agreed to buy 16 MGD and the City agreed to buy 5 MGD. Pursuant to the contract with GCWA, the City of Galveston and the City agreed to pay, as operating expenses of their waterworks system, specified amounts of water necessary to pay debt service on these bonds, to establish and maintain reserve and contingency funds and to pay costs of water purchased by the GCWA for delivery to the cities. Charges to the City of Galveston and the City averaged \$0.41/M gallons (actual, price / M gallons is calculated quarterly).

**B. Municipal Utility Districts**

The City has entered into utility agreements with several Municipal Utility Districts whose boundaries overlap the boundaries of the City. The Districts acquire and construct water, sanitary sewer and drainage facilities to serve the areas within the Districts and issue bonds to finance such facilities. Such contracts provide that:

1. The City will operate and maintain the systems.
2. The rates charged by the City will be equal and uniform to those charged to other similar users within the City. Each fiscal year, the City shall determine the Net Revenues, if any, earned from the operation the water and sewer system serving some Districts. Net revenues shall mean gross water and sewer commercial and residential service income less all expenses reasonably required for the administration, efficient operation and adequate maintenance of the facilities and improvements required to serve the Districts. Operational deficits shall be included as carryovers in calculating Net Revenues. Net revenues, if any, shall be rebated to some Districts.

**NOTE 10 - CONTRACTS (Continued)**

**B. Municipal Utility Districts (continued)**

3. The City agrees to collect for and remit to nine of the Districts a portion (20% to 40%) of the ad valorem taxes on land and improvements with the Districts. Three percent of the Districts' portion is retained by the City for administrative expenses. All funds rebated shall be used exclusively for retirement of the Districts' bonded indebtedness.
4. At such time as the boards of the Districts are discharged, the Districts will release their security interests in the water, sanitary sewer and drainage facilities to the City.
5. On December 19, 1985, the City approved the issuance of general obligation bonds to advance refund the Gulf Coast Waste Disposal Authority Contract Revenue Bonds, Series 1985 (City of League City Sewer System Facilities Project). The Gulf Coast Waste Disposal Authority issued the bonds described above and the City agreed to pay all principal and interest on the bonds until all bonds are retired. Terms of the contract require the City to levy an ad valorem tax sufficient to make all payments under the contract. In connection with these bonds, the City established a debt service fund reserve of \$705,056, an amount equal to the highest scheduled annual debt service requirement of the refunding bonds.

**C. Galveston County Water Control and Improvement District No. 1**

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

**D. Gulf Coast Water Authority**

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



**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - CONTRACTS (Continued)**

**E. Water Capacity Contract**

In June of 1998, the City of League City ("League City") issued its Certificates of Obligation, Series 1998 (the "Certificates") to finance the purchase from the City of Galveston ("Galveston") of additional pumping and production capacity in the City of Houston Southeast Water Purification Plant (the "Southeast Plant"). In connection with the purchases of such capacity, League City entered into (1) a Water Capacity Purchase and Sale Agreement dated as of April 28, 1998 (the "Water Capacity Purchase and Sale Agreement") between Gulf Coast Water Authority ("GCWA"), Galveston and League City, which set forth the terms regarding the purchase and sale of such capacity and (2) a Second Amendment to Water Supply Contract dated as of August 20, 1998 (the "Second Amendment") between GCWA and League City. The Second Amendment amends the Original Water Supply Contract to effectuate the increase in League City's capacity as a result of League City's purchase of pumping and production capacity from Galveston pursuant to the Water Capacity Purchase Agreement. The Second Amendment provides for an increase in League City's production capacity from 5 MGD to 11 MGD and an increase in its pumping capacity from 6 MGD to 12.9 MGD. Pursuant to its terms, the Second Amendment becomes effective on the earlier of (i) August 1, 2001 or (ii) the date prior to August 1, 2001, on which Galveston ceases to take deliveries of water from the Southeast Plant.

**NOTE 11 - LITIGATION**

As of September 30, 2005, the City was either a defendant or co-defendant in several lawsuits. While the City and legal counsel cannot predict the results of any litigation, it believes that it has meritorious defenses to most of those actions, proceedings and claims. It is the opinion of City Management and legal counsel believe that any ultimate uninsured liability to the City from these lawsuits will not be material.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – 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; injuries to employees; and natural disasters. Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis.

The primary technique used for risk financing is the City's participation in Texas Municipal League risk pool that has lessened the cost of insurance. Should losses occur the portion of the uninsured loss is not expected to be significant with respect to the financial position of the City. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

All risk activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – MAJOR DISCRETELY PRESENTED COMPONENT UNITS**

The following discretely presented component units represent major component units. For reporting purposes, the City considers a component unit to be major if its assets, liabilities, revenue or expenditures/expenses exceed 10% of that component unit's class (governmental/business-type) and exceed 5% of all component units combined.

**Discretely Presented Component Units - Governmental Activities**  
**Statement of Net Assets**  
*September 30, 2005*

	<b>4B Industrial Development Corporation</b>	<b>Tax Increment Financing Zone No. One</b>	<b>Tax Increment Financing Zone No. Two</b>	<b>Public Improvement District No. One</b>	<b>Public Improvement District No. Two</b>	<b>Public Improvement District No. Twelve</b>	<b>Non-major Component Units</b>	<b>Total</b>
<b>ASSETS</b>								
Cash and equivalents	\$ 2,406,047	\$ 32,070	\$ 1,421,015	\$ 234,095	\$ 58,846	\$ 103,480	\$ 382,723	\$ 4,475,950
Receivables-less allowance for uncollectibles	141,335						66,614	207,949
Prepaid items							1,149	1,149
Capital assets, non depreciable							41,080	41,080
Capital assets, net of accumulated depreciation							34,794	34,794
<b>Total assets</b>	<u>2,547,382</u>	<u>32,070</u>	<u>1,421,015</u>	<u>234,095</u>	<u>58,846</u>	<u>103,480</u>	<u>526,360</u>	<u>4,760,922</u>
<b>LIABILITIES</b>								
Accounts payable and accrued expenses	14,509	29,675		216,614	58,645	100,000	182,819	443,617
Long term liabilities:								
Current	195,000							195,000
Non-current	2,280,000							2,280,000
<b>Total liabilities</b>	<u>2,489,509</u>	<u>29,675</u>		<u>216,614</u>	<u>58,645</u>	<u>100,000</u>	<u>182,819</u>	<u>2,918,617</u>
<b>NET ASSETS</b>								
<b>Invested in capital assets, net</b>							72,785	72,785
Unrestricted	57,873	2,395	1,421,015	17,481	201	3,480	270,756	1,769,520
<b>Total net assets</b>	<u>\$ 57,873</u>	<u>\$ 2,395</u>	<u>\$ 1,421,015</u>	<u>\$ 17,481</u>	<u>\$ 201</u>	<u>\$ 3,480</u>	<u>\$ 343,541</u>	<u>\$ 1,842,305</u>

**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – MAJOR DISCRETELY PRESENTED COMPONENT UNITS (continued)**

Discretely Presented Component Units - Governmental Activities  
Statement of Activities  
For the year ended September 20, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Changes in Net Assets						Totals
		Charges for Services	4B Industrial Development Corporation	Tax Increment Financing Zone No. One	Tax Increment Financing Zone No. Two	Public Improvement District No. One	Public Improvement District No. Two	Public Improvement District No. Twelve	Non-major Component Units	
Component Unit										
4B Industrial Development Corporation	\$ 162,390	\$	\$ (162,390)							\$ (162,390)
Tax Increment Financing Zone No. One	657,492			\$ (657,492)						(657,492)
Tax Increment Financing Zone No. Two	365,665				\$ (365,665)					(365,665)
Public Improvement District No. One	654,933	668,348				\$ 13,415				13,415
Public Improvement District No. Two	273,278	272,558					\$ (720)			
Public Improvement District No. Twelve	425,000	399,219						\$ (25,781)		
Non-major Component Units	494,920	11,894							\$ (483,026)	(483,026)
	<u>\$ 3,033,678</u>	<u>\$ 1,352,019</u>	<u>(162,390)</u>	<u>(657,492)</u>	<u>(365,665)</u>	<u>13,415</u>	<u>(720)</u>	<u>(25,781)</u>	<u>(483,026)</u>	<u>(1,655,158)</u>
General revenues:										
Taxes:										
Property taxes				657,492	1,678,558				237,370	2,573,420
Sales and use tax			799,588						266,100	1,065,688
Unrestricted investment earnings			58,696	366	37,212	3,633	850	3,300	4,542	108,599
Total general revenues			<u>858,284</u>	<u>657,858</u>	<u>1,715,770</u>	<u>3,633</u>	<u>850</u>	<u>3,300</u>	<u>508,012</u>	<u>3,747,707</u>
Change in net assets			695,894	366	1,350,105	17,048	130	(22,481)	24,986	2,066,048
Net assets, beginning			(638,021)	2,029	70,910	433	71	25,961	314,874	(223,743)
Net assets, ending			<u>\$ 57,873</u>	<u>\$ 2,395</u>	<u>\$ 1,421,015</u>	<u>\$ 17,481</u>	<u>\$ 201</u>	<u>\$ 3,480</u>	<u>\$ 339,860</u>	<u>\$ 1,842,305</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF LEAGUE CITY, TEXAS**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE- BUDGET TO ACTUAL  
Year ended September 30, 2005

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 14,120,561	\$ 13,337,623	\$ 13,479,126	\$ 141,503
Sales and miscellaneous taxes	8,343,214	7,735,550	8,180,286	444,736
Fees and fines	1,216,550	1,122,000	1,276,711	154,711
Licenses and permits	2,125,300	2,131,200	2,460,148	328,948
Intergovernmental	138,624	822,156	616,314	(205,842)
Charges for services	3,094,790	2,661,600	2,924,323	262,723
Investment earnings	312,500	225,000	425,731	200,731
Miscellaneous	61,400	125,400	239,509	114,109
Total revenues	<u>29,412,939</u>	<u>28,160,529</u>	<u>29,602,148</u>	<u>1,441,619</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,477,260	6,292,233	5,764,151	528,082
Public Safety	11,934,022	12,085,785	11,272,825	812,960
Public works	8,212,331	10,146,719	8,906,921	1,239,798
Community Services	3,320,083	4,137,418	3,102,007	1,035,411
Total Expenditures	<u>29,943,696</u>	<u>32,662,155</u>	<u>29,045,904</u>	<u>3,616,251</u>
Excess (deficiency) of revenues over expenditures	<u>(530,757)</u>	<u>(4,501,626)</u>	<u>556,244</u>	<u>5,057,870</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases				
Transfers in	1,350,000	1,309,470	1,309,470	
Transfers out	<u>(819,243)</u>	<u>(3,119,823)</u>	<u>(3,119,823)</u>	
Total other financing sources and uses	<u>530,757</u>	<u>(1,810,353)</u>	<u>(1,810,353)</u>	
Net change in fund balances		<u>(6,311,979)</u>	<u>(1,254,109)</u>	<u>5,057,870</u>
Fund balances - beginning	<u>12,944,808</u>	<u>12,944,808</u>	<u>12,944,808</u>	
Fund balances - ending	<u>\$ 12,944,808</u>	<u>\$ 6,632,829</u>	<u>\$ 11,690,699</u>	<u>\$ 5,057,870</u>

## **CITY OF LEAGUE CITY, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**

*Year ended September 30,, 2004*

#### **GENERAL BUDGET POLICIES**

The budget for the City Government shall present a complete financial plan for the ensuing fiscal year. It shall set forth all proposed expenditures for administration, operation and maintenance of all departments and agencies of the City Government for which appropriations are required to be made or taxes levied by the City. The budget shall also include (1) the revenues and expenses of the water and sewer system, and such system may be shown in the budget as a self-supporting enterprise; (2) all expenditures for capital projects to be undertaken or executed during the fiscal year; and (3) all deficits from prior fiscal years. In addition, thereto, the budget shall set forth the anticipated income and other means of financing the total proposed expenditures of the City Government for the fiscal year.

Prior to the first of August of each year, the departments and agencies of the City Government shall transmit estimates of their budgetary requirements to the Mayor. The Council may revise, alter, increase, or decrease the items of the budget, provided that when it shall increase the total proposed expenditures, it shall also increase the total anticipated revenue so that the total means of financing the budget shall at least equal in amount the aggregated proposed expenditures. When the Council shall make such changes, it shall issue a statement setting forth clearly its action in the budget. At least ten (10) days before the beginning of the fiscal year, the Council shall approve the budget plan and shall enact the appropriation ordinance. As soon thereafter as possible, the Council shall pass the tax levy ordinance and such other ordinances as may be required to make the budget effective.

The legal level of control is at the department level for the General Fund. Debt Service and Special Revenue Funds' legal level of control is at the total fund level. However, modifications to the budget may be made by the Council through transfers of any unencumbered appropriation balance of portion thereof from one office, department or agency to another, at any time. The Mayor shall have authority, without Council authority, to transfer appropriation balances from one expenditure account to another within a single office, department or agency.

No money shall be drawn from the treasury of the City, nor shall any obligation for the expenditure of money be incurred, except in pursuance of the annual appropriation ordinance or of such ordinance when changed as authorized by the Charter. At the close of each fiscal year any unencumbered balance of an appropriation shall revert to the fund from which appropriated and shall be subject to re-appropriation; but appropriations may be made by the Council, to be paid out of the income of the current year, in furtherance of improvements or other objects or works which will not be completed within such year, and any such appropriation shall continue in force until the purpose for which it was made shall have been accomplished or abandoned.



**CITY OF LEAGUE CITY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**  
*Year ended September 30,, 2004*

**BUDGETARY BASIS OF ACCOUNTING**

Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Under Texas law, appropriations lapse at September 30, of each year and encumbrances outstanding at the time are to be either canceled or appropriately provided for in the subsequent year's budget. There were approximately \$318,915 end-of-year outstanding encumbrances included in the subsequent year's budget.

**COMPLIANCE**

Expenditures exceeded appropriations in the General Fund at the following department levels:

<u>Department</u>	<u>Amount</u>
Legal	\$6,854
Police	1,268
Emergency Medical Services	16,854

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2004	\$ 26,267,720	\$ 33,572,251	78%	\$ 7,304,531	\$ 14,532,346	50%
2003	23,501,876	31,750,251	74%	8,248,375	13,278,927	62%
2002	20,448,917	26,929,616	76%	6,480,699	12,296,544	53%
2001	17,766,399	23,618,160	75%	5,851,761	11,434,452	51%
2000	15,170,985	20,259,235	75%	5,088,250	10,300,523	49%
1999	13,535,101	15,656,380	86%	2,121,279	9,801,452	22%
1998	11,654,991	13,632,926	85%	1,977,935	8,626,008	23%
1997	10,385,586	12,427,900	84%	2,042,314	7,930,822	26%

**Schedule of Annual Pension Costs**

<b>Fiscal Year</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>
2005	\$ 1,930,434	100%
2004	1,669,893	100%
2003	1,474,827	100%
2002	1,351,026	100%
2001	1,179,349	100%
2000	781,390	100%
1999	648,132	100%
1998	564,351	100%

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **GENERAL FUND**

The General Fund accounts for the resources used to finance the basic operations of the City. It is the basic fund of the City and covers all activities for which a separate fund has not been established.

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**CITY OF LEAGUE CITY, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**  
**BUDGET AND ACTUAL**  
*Year ended September 30, 2005*  
*with comparative actual amounts for the year ended September 30, 2004*

*Exhibit A-2*  
*Page 1 of 6*

	<b>2005</b>		<b>Variance</b>	<b>2004</b>
	<b>Final</b>		<b>Positive</b>	
	<b>Budget</b>	<b>Actual</b>	<b>(Negative)</b>	<b>Actual</b>
<b>General Government</b>				
Economic Development				
Personnel services	\$ 166,835	\$ 160,948	\$ 5,887	\$ 143,397
Supplies	1,500	1,179	321	1,033
Other services and charges	188,865	122,473	66,392	134,419
	<u>357,200</u>	<u>284,600</u>	<u>72,600</u>	<u>278,849</u>
Finance Administration				
Personnel services	144,799	128,429	16,370	206,242
Supplies	4,844	5,253	(409)	3,468
Other services and charges	123,237	108,076	15,161	63,030
Capital Outlay				
	<u>272,880</u>	<u>241,758</u>	<u>31,122</u>	<u>272,740</u>
City Secretary				
Personnel services	211,361	190,693	20,668	216,220
Supplies	4,078	3,889	189	3,973
Other services and charges	44,563	31,088	13,475	31,432
	<u>260,002</u>	<u>225,670</u>	<u>34,332</u>	<u>251,625</u>
City Manager/Administration				
Personnel services	264,557	252,894	11,663	275,427
Supplies	21,015	20,141	874	21,443
Other services and charges	284,535	259,895	24,640	156,536
	<u>570,107</u>	<u>532,930</u>	<u>37,177</u>	<u>453,406</u>
Management Information Service				
Personnel services	394,006	336,471	57,535	297,353
Supplies	86,153	86,091	62	98,098
Other services and charges	259,177	232,309	26,868	238,898
Capital Outlay				
	<u>739,336</u>	<u>654,871</u>	<u>84,465</u>	<u>634,349</u>
Legal				
Personnel services	33,639	35,744	(2,105)	28,510
Supplies	2,099	2,106	(7)	1,787
Other services and charges	311,724	316,466	(4,742)	276,321
	<u>347,462</u>	<u>354,316</u>	<u>(6,854)</u>	<u>306,618</u>

**CITY OF LEAGUE CITY, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**  
**BUDGET AND ACTUAL**  
*Year ended September 30, 2005*  
*with comparative actual amounts for the year ended September 30, 2004*

*Exhibit A-2*  
*Page 2 of 6*

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
<b>General Government (continued)</b>				
Mayor and City Council				
Personnel services	\$ 4,774	\$ 4,850	\$ (76)	\$ 4,809
Supplies	7,626	7,940	(314)	1,832
Other services and charges	175,028	167,440	7,588	144,322
\$ -	<u>187,428</u>	<u>180,230</u>	<u>7,198</u>	<u>150,963</u>
Tax and Finance				
Personnel services	450,902	415,247	35,655	428,164
Supplies	11,402	11,369	33	14,674
Other services and charges	445,177	443,709	1,468	380,075
	<u>907,481</u>	<u>870,325</u>	<u>37,156</u>	<u>822,913</u>
General Services				
Personnel services	12,501	12,500	1	
Supplies				
Other services and charges	638,016	635,514	2,502	328,395
	<u>650,517</u>	<u>648,014</u>	<u>2,503</u>	<u>328,395</u>
Civil Service				
Personnel services	1,202	707	495	479
Supplies	1,252	292	960	901
Other services and charges	21,985	12,325	9,660	20,636
	<u>24,439</u>	<u>13,324</u>	<u>11,115</u>	<u>22,016</u>
Municipal Court				
Personnel services	357,398	334,164	23,234	295,219
Supplies	8,106	7,922	184	7,803
Other services and charges	16,385	16,333	52	14,512
	<u>381,889</u>	<u>358,419</u>	<u>23,470</u>	<u>317,534</u>
Personnel				
Personnel services	466,132	342,448	123,684	352,941
Supplies	13,990	10,889	3,101	9,255
Other services and charges	126,802	121,712	5,090	120,169
	<u>606,924</u>	<u>475,049</u>	<u>131,875</u>	<u>482,365</u>



**CITY OF LEAGUE CITY, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**

**BUDGET AND ACTUAL**

*Year ended September 30, 2005*

*with comparative actual amounts for the year ended September 30, 2004*

*Exhibit A-2*

*Page 3 of 6*

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
<b>General Government (continued)</b>				
Building Inspection				
Personnel services	\$ 935,384	\$ 851,179	\$ 84,205	\$ 695,227
Supplies	30,590	28,527	2,063	14,339
Other services and charges	20,594	20,767	(173)	29,740
	<u>986,568</u>	<u>924,645</u>	<u>61,923</u>	<u>739,306</u>
<b>Total General Government</b>	<u>6,292,233</u>	<u># 5,764,151</u>	<u>528,082</u>	<u>5,061,079</u>
<b>Public Safety</b>				
Emergency Management				
Personnel services	106,643	114,772	(8,129)	107,400
Supplies	19,941	9,063	10,878	24,524
Other services and charges	43,709	41,705	2,004	17,975
Capital outlay	296,491	25,214	271,277	73,469
	<u>466,784</u>	<u>190,754</u>	<u>276,030</u>	<u>223,368</u>
Drill Field				
Personnel services				
Supplies	15,821	19,936	(4,115)	15,890
Other services and charges	20,334	15,625	4,709	17,050
	<u>36,155</u>	<u>35,561</u>	<u>594</u>	<u>32,940</u>
Police				
Personnel services	7,995,730	8,090,895	(95,165)	6,675,324
Supplies	108,734	99,367	9,367	169,238
Other services and charges	420,687	370,158	50,529	291,820
Capital outlay	191,280	157,279	34,001	124,729
	<u>8,716,431</u>	<u>8,717,699</u>	<u>(1,268)</u>	<u>7,261,111</u>
Animal control				
Personnel services	323,195	304,344	18,851	250,803
Supplies	19,275	20,417	(1,142)	10,080
Other services and charges	22,116	21,433	683	14,224
Capital Outlay				
	<u>364,586</u>	<u>346,194</u>	<u>18,392</u>	<u>275,107</u>

**CITY OF LEAGUE CITY, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**

**BUDGET AND ACTUAL**

*Year ended September 30, 2005*

*with comparative actual amounts for the year ended September 30, 2004*

*Exhibit A-2*

*Page 4 of 6*

	2005		Variance	2004
	Final Budget	Actual	Positive (Negative)	Actual
<b>Public Safety (continued)</b>				
Fire Marshal				
Personnel services	\$ 324,224	\$ 304,619	\$ 19,605	\$ 251,976
Supplies	11,144	12,072	(928)	5,992
Other services and charges	18,450	13,580	4,870	25,219
Capital outlay	1,525		1,525	
	355,343	330,271	25,072	283,187
Volunteer Fire				
Personnel services	59,480	57,171	2,309	54,671
Supplies	816,432	391,254	425,178	209,106
Other services and charges	243,871	216,443	27,428	202,585
Capital outlay	88,685	32,606	56,079	17,104
	1,208,468	697,474	510,994	483,466
EMS				
Personnel services	736,124	751,696	(15,572)	584,949
Supplies	83,485	77,843	5,642	89,666
Other services and charges	118,409	125,333	(6,924)	103,979
Capital outlay				34,022
	938,018	954,872	(16,854)	812,616
<b>Total Public Safety</b>	12,085,785	# 11,272,825	812,960	9,371,795
<b>Public Works</b>				
Vehicle Maintenance				
Personnel services	518,050	469,074	48,976	481,829
Supplies	348,634	372,048	(23,414)	255,442
Other services and charges	282,511	270,625	11,886	259,274
Capital outlay				
	1,149,195	1,111,747	37,448	996,545
Engineering				
Personnel services	849,087	695,836	153,251	712,609
Supplies	20,820	17,068	3,752	12,627
Other services and charges	79,232	63,901	15,331	33,193
Capital outlay	339,364	32,770	306,594	15,199
	1,288,503	809,575	478,928	773,628

**CITY OF LEAGUE CITY, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**  
**BUDGET AND ACTUAL**  
**Year ended September 30, 2005**  
**with comparative actual amounts for the year ended September 30, 2004**

*Exhibit A-2*  
*Page 5 of 6*

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
<b>Public Works (continued)</b>				
Facilities Maintenance				
Personnel services	\$ 405,688	\$ 373,127	\$ 32,561	\$ 341,080
Supplies	134,688	119,481	15,207	92,406
Other services and charges	1,122,725	1,096,912	25,813	991,763
Capital outlay	642,457	533,560	108,897	19,803
	<u>2,305,558</u>	<u>2,123,080</u>	<u>182,478</u>	<u>1,445,052</u>
Planning				
Personnel services	384,966	310,379	74,587	251,826
Supplies	18,850	18,757	93	2,943
Other services and charges	111,364	108,620	2,744	25,422
	<u>515,180</u>	<u>437,756</u>	<u>77,424</u>	<u>280,191</u>
Street and Stormwater				
Personnel services	1,364,069	1,227,426	136,643	1,125,232
Supplies	524,428	423,884	100,544	475,875
Other services and charges	2,960,286	2,734,027	226,259	2,564,288
Capital outlay	39,500	39,426	74	17,238
	<u>4,888,283</u>	<u>4,424,763</u>	<u>463,520</u>	<u>4,182,633</u>
<b>Total Public Works</b>	<u>10,146,719</u>	<u># 8,906,921</u>	<u>1,239,798</u>	<u>7,678,049</u>
<b>Community Services</b>				
Library				
Personnel services	1,260,938	1,143,500	117,438	1,195,552
Supplies	246,348	240,140	6,208	190,145
Other services and charges	95,669	79,880	15,789	91,617
Capital outlay	20,000	4,698	15,302	
	<u>1,622,955</u>	<u>1,468,218</u>	<u>154,737</u>	<u>1,477,314</u>
Parks and recreation				
Personnel services	939,721	882,141	57,580	1,053,678
Supplies	193,614	162,480	31,134	148,243
Other services and charges	193,376	147,162	46,214	255,290
Capital outlay	299,031	35,712	263,319	179,794
	<u>1,625,742</u>	<u>1,227,495</u>	<u>398,247</u>	<u>1,637,005</u>

**CITY OF LEAGUE CITY, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**

**BUDGET AND ACTUAL**

*Year ended September 30, 2005*

*with comparative actual amounts for the year ended September 30, 2004*

*Exhibit A-2*

*Page 6 of 6*

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2004 Actual</b>
Butler museum				
Personnel services	124,728	97,842	26,886	
Supplies	53,401	37,672	15,729	
Other services and charges	502,783	90,866	411,917	
Capital outlay				
	680,912	226,380	454,532	
Planning and tourism				
Personnel services	158,245	139,206	19,039	
Supplies	7,467	9,268	(1,801)	
Other services and charges	42,097	31,440	10,657	
Capital outlay				
	207,809	179,914	27,895	
<b>Total Community Services</b>	4,137,418	3,102,007	1,035,411	3,114,319
<b>TOTAL EXPENDITURES</b>	\$ 32,662,155	\$ 29,045,904	\$ 3,616,251	\$ 25,225,242

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

**Library Gift Fund** - This special revenue 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.

**Special Park Fund** - This special revenue fund is used to account for miscellaneous park receipts, such as the sale of aluminum cans collected at parks, and utilized for the upkeep of the parks.

**Hotel Occupancy Tax Fund** – This fund is used to account for the hotel occupancy tax revenues. Collected revenues are transferred to the Destination League City Convention and Visitors Corporation with whom the City has contracted to manage the programs funded by these revenues.

**Escrow Fund - Park Facilities Maintenance** - This 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.

**Municipal Court Building Security and Technology Fund** - This special revenue fund is used to account for a fee of \$7 per misdemeanor conviction and is collected for future improvements to the security and technology of the court facilities.

**League City SportsPlex Fund** - This fund is used to account for the operations and maintenance of an amateur sports complex.

**City Sidewalk Fund** - This 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.

**Butler Longhorn Museum Donation Fund** – This special revenue fund is used to account for funds donated specifically for the support of the Butler Longhorn Museum. Funds would typically be used to purchase or construct exhibits and attractions for the Museum.

**Animal Control Donation Fund** – This special revenue 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.

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

## NONMAJOR GOVERNMENTAL FUNDS (continued)

### CAPITAL PROJECTS FUNDS

To account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**Fire Department Training /Drill Fund** - this fund consists of monies received primarily from fire donations. The funds are used to construct and improve volunteer fire department facilities.

**Special Assessments Fund** - this 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 2<sup>nd</sup> Street.

**1999 Certificate of Obligation Fund** - this fund is used to account for the construction and improvement of the police station and the fire station, and for construction and improvement of streets and the construction of drainage improvements.

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

**2003A Certificates of Obligation Fund** – this fund is used to account for the construction and improvements relating to Fire Station #5, Fire Station #1 Renovation, EMS East Side Station, EMS West Side Station, Butler Longhorn Museum, Webster St Drainage and the City-wide Radio Replacement Program.

**2003B Certificates of Obligation Fund** – this fund is used to account for the construction and improvements relating to the Big League Dreams Sports Park.

**2003C Certificates of Obligation Fund** – this fund is used to account for the construction and improvements relating to the Big League Dreams Sports Park.

**2004A Certificates of Obligation Fund** – this fund is used to account for the construction and improvements relating to the Big League Dreams Sports Park.

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

## **COMBINING STATEMENTS**

**CITY OF LEAGUE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
*September 30, 2005*

	<b>Special Revenue</b>				
	<b>Police Activity</b>	<b>Municipal Court Security and Technology</b>	<b>Library Gift</b>	<b>Special Park</b>	<b>Hotel Occupancy Tax</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 131,567	\$ 173,126	\$ 45,111	\$ 2,179	\$ 9,677
Investments					
Receivables (net of allowance for uncollectibles)				80	66,503
Total assets	<u>131,567</u>	<u>173,126</u>	<u>45,111</u>	<u>2,259</u>	<u>76,180</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	19,574	3,001	2,931		66,504
Deferred revenue					
Other accrued expenses		133			
Customer deposits					
Total liabilities	<u>19,574</u>	<u>3,134</u>	<u>2,931</u>		<u>66,504</u>
Fund balances:					
Unreserved	111,993	169,992	42,180	2,259	9,676
Total fund balances	<u>111,993</u>	<u>169,992</u>	<u>42,180</u>	<u>2,259</u>	<u>9,676</u>
Total liabilities and fund balances	<u>\$ 131,567</u>	<u>\$ 173,126</u>	<u>\$ 45,111</u>	<u>\$ 2,259</u>	<u>\$ 76,180</u>



<b>Funds</b>						
<b>Escrow-Park Facilities Maintenance</b>	<b>City Sidewalk</b>	<b>League City Sports Plex</b>	<b>Butler Museum Fund</b>	<b>Animal Control Fund</b>	<b>CDBG Fund</b>	<b>Fire Department Training Drill</b>
\$ 1,125,971	\$ 41,112	\$ 187,212	\$ 22,599	\$ 5,912	\$	\$ 11,706
62,412		2,679			29,438	
<u>1,188,383</u>	<u>41,112</u>	<u>189,891</u>	<u>22,599</u>	<u>5,912</u>	<u>29,438</u>	<u>11,706</u>
		22,338		483	29,438	
		9,593				
		845				
		<u>32,776</u>		<u>483</u>	<u>29,438</u>	
<u>1,188,383</u>	<u>41,112</u>	<u>157,115</u>	<u>22,599</u>	<u>5,429</u>		<u>11,706</u>
<u>1,188,383</u>	<u>41,112</u>	<u>157,115</u>	<u>22,599</u>	<u>5,429</u>		<u>11,706</u>
<u>\$ 1,188,383</u>	<u>\$ 41,112</u>	<u>\$ 189,891</u>	<u>\$ 22,599</u>	<u>\$ 5,912</u>	<u>\$ 29,438</u>	<u>\$ 11,706</u>

**CITY OF LEAGUE CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
*September 30, 2005*

	<b>Capital Project</b>				
	<b>Certificates of Obligation 1999</b>	<b>Special Assessments</b>	<b>Miscellaneous Capital Projects</b>	<b>Certificates of Obligation 2003A</b>	<b>Certificates of Obligation 2003B</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,060,068	\$	\$ 1,478,400	\$ 1,748,152	\$
Investments					
Receivables (net of allowance for uncollectibles)		16,395	8,698		
Total assets	<u>1,060,068</u>	<u>16,395</u>	<u>1,487,098</u>	<u>1,748,152</u>	
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	69,025		323,394	63,546	
Deferred revenue		16,395			
Other accrued expenses					
Customer deposits					
Total liabilities	<u>69,025</u>	<u>16,395</u>	<u>323,394</u>	<u>63,546</u>	
Fund balances:					
Unreserved	991,043		1,163,704	1,684,606	
Total fund balances	<u>991,043</u>		<u>1,163,704</u>	<u>1,684,606</u>	
Total liabilities and fund balances	<u>\$ 1,060,068</u>	<u>\$ 16,395</u>	<u>\$ 1,487,098</u>	<u>\$ 1,748,152</u>	<u>\$</u>

<b>Funds</b>			
<b>Certificates of Obligation 2003C</b>	<b>Certificates of Obligation 2004A</b>	<b>Cert of Obligation 2004B</b>	<b>Total Other Governmental Funds</b>
\$	\$ 2,267	\$ 472,107 1,000,000	\$ 6,517,166 1,000,000
	16,951	3,865	207,021
	19,218	1,475,972	7,724,187
		106,447	706,682 16,395 9,726 845
		106,447	733,648
	19,218	1,369,525	6,990,540
	19,218	1,369,525	6,990,540
\$	\$ 19,218	\$ 1,475,972	\$ 7,724,188

**CITY OF LEAGUE CITY, TEXAS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2005**

	<b>Police Activity</b>	<b>Municipal Court Security and Technology</b>	<b>Library Gift</b>	<b>Special Revenue Special Park</b>	<b>Hotel Occupancy Tax</b>
<b>REVENUES</b>					
Property taxes	\$	\$	\$	\$	\$
Sales taxes					
Hotel occupancy taxes					266,100
Fines and forfeitures	85,002	67,263			
Licenses and permits					
Intergovernmental					
Charges for services					
Investment earnings	3,390	3,913	1,177	57	653
Miscellaneous	26,017		10,518		
Other revenue 1					
Other revenue 2					
Total revenues	114,409	71,176	11,695	57	266,753
<b>EXPENDITURES</b>					
Current:					
General government		11,965			257,077
Public Safety	57,562				
Public works					
Culture and recreation					
Community services			7,519		
Debt Service					
Principal					
Capital Outlay					
Total Expenditures	57,562	11,965	7,519		257,077
Excess (deficiency) of revenues over expenditures	56,847	59,211	4,176	57	9,676
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt, net					
Proceeds from capital leases					
Other source					
Other use					
Transfers in					
Transfers out					
Total other financing sources and uses					
<b>SPECIAL ITEM</b>					
Proceeds from sale of land					
Net change in fund balances	56,847	59,211	4,176	57	9,676
Fund balances - beginning, as restated	55,146	110,781	38,004	2,202	
Fund balances - ending	\$ 111,993	\$ 169,992	\$ 42,180	\$ 2,259	\$ 9,676

<b>Funds</b>						
<b>Escrow-Park Facilities Maintenance</b>	<b>City Sidewalk</b>	<b>League City Sports Plex</b>	<b>Butler Museum Fund</b>	<b>Animal Control Fund</b>	<b>CDBG</b>	<b>Fire Department Training Drill</b>
\$	\$	\$	\$	\$	\$	\$
					105,127	
23,006	959	182,508	20,000	178		319
343,200	10,000	3,443	135	6,707		
<u>366,206</u>	<u>10,959</u>	<u>185,951</u>	<u>20,135</u>	<u>6,885</u>	<u>105,127</u>	<u>319</u>
				6,523		
		500,993			105,127	
		<u>500,993</u>		<u>6,523</u>	<u>105,127</u>	
<u>366,206</u>	<u>10,959</u>	<u>(315,042)</u>	<u>20,135</u>	<u>362</u>		<u>319</u>
		263,919				
		<u>263,919</u>				
<u>366,206</u>	<u>10,959</u>	<u>(51,123)</u>	<u>20,135</u>	<u>362</u>		<u>319</u>
<u>822,177</u>	<u>30,153</u>	<u>208,238</u>	<u>2,464</u>	<u>5,067</u>		<u>11,387</u>
<u>\$ 1,188,383</u>	<u>\$ 41,112</u>	<u>\$ 157,115</u>	<u>\$ 22,599</u>	<u>\$ 5,429</u>	<u>\$</u>	<u>\$ 11,706</u>

**CITY OF LEAGUE CITY, TEXAS**  
**COMBINING STATEMENT OF**  
**REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2005**

	<b>Certificates of Obligation 1999</b>	<b>Special Assessments</b>	<b>Miscellaneous Capital Projects</b>	<b>Certificates of Obligation 2003A</b>	<b>Capital Project Certificates of Obligation 2003B</b>
<b>REVENUES</b>					
Property taxes	\$	\$	\$	\$	\$
Sales taxes					
Hotel occupancy taxes					
Due from other funds					
Licenses and permits					
Intergovernmental					
Charges for services					
Investment earnings	39,833		35,021	60,227	5,227
Miscellaneous					
Other revenue 1					
Other revenue 2					
Total revenues	<u>39,833</u>		<u>35,021</u>	<u>60,227</u>	<u>5,227</u>
<b>EXPENDITURES</b>					
Current:					
General government					
Public Safety					
Public works					
Culture and recreation					
Community services					
Debt Service					
Principal					
Capital Outlay	661,927		2,285,636	970,783	663,025
Total Expenditures	<u>661,927</u>		<u>2,285,636</u>	<u>970,783</u>	<u>663,025</u>
Excess (deficiency) of revenues over expenditures	<u>(622,094)</u>		<u>(2,250,615)</u>	<u>(910,556)</u>	<u>(657,798)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt, net					
Proceeds from capital leases					
Other source					
Other use					
Transfers in			2,075,130		
Transfers out	(59,470)				
Total other financing sources and uses	<u>(59,470)</u>		<u>2,075,130</u>		
<b>SPECIAL ITEM</b>					
Proceeds from sale of land					
Net change in fund balances	(681,564)		(175,485)	(910,556)	(657,798)
Fund balances - beginning, as restated	1,672,607		1,339,189	2,595,162	657,798
Fund balances - ending	<u>\$ 991,043</u>	\$	<u>\$ 1,163,704</u>	<u>\$ 1,684,606</u>	<u>\$</u>

<b>Funds</b>			
<b>Certificates of Obligation 2003C</b>	<b>Certificates of Obligation 2004A</b>	<b>Cert of Obligation 2004B</b>	<b>Total Other Governmental Funds</b>
\$	\$	\$	\$
			266,100
			152,265
			105,127
			202,508
17,709	54,190	61,092	310,529
			396,442
<u>17,709</u>	<u>54,190</u>	<u>61,092</u>	<u>1,432,971</u>
			269,042
			64,085
			613,639
<u>2,712,696</u>	<u>4,579,939</u>	<u>4,366,567</u>	<u>16,240,573</u>
<u>2,712,696</u>	<u>4,579,939</u>	<u>4,366,567</u>	<u>17,187,339</u>
<u>(2,694,987)</u>	<u>(4,525,749)</u>	<u>(4,305,475)</u>	<u>(15,754,368)</u>
		5,675,000	5,675,000
			2,339,049
			(59,470)
		<u>5,675,000</u>	<u>7,954,579</u>
<u>(2,694,987)</u>	<u>(4,525,749)</u>	<u>1,369,525</u>	<u>(7,799,789)</u>
<u>2,694,987</u>	<u>4,544,967</u>		<u>14,790,329</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	19,218	1,369,525	6,990,540

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## **BUDGETARY SCHEDULES**

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - POLICE ACTIVITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		
	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive / (Negative)</b>
<b>REVENUES</b>			
Fines and forfeitures	\$ 34,198	\$ 85,002	\$ 50,804
Investment earnings		3,390	3,390
Other	30,560	26,017	(4,543)
<b>Total Revenues</b>	<u>64,758</u>	<u>114,409</u>	<u>49,651</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	68,858	57,562	11,296
<b>Total Expenditures</b>	<u>68,858</u>	<u>57,562</u>	<u>11,296</u>
<b>Changes in Fund Balance</b>	<u>(4,100)</u>	<u>56,847</u>	<u>60,947</u>
<b>Fund balances, beginning of year</b>	<u>55,146</u>	<u>55,146</u>	
<b>Fund balances at year end</b>	<u>\$ 51,046</u>	<u>\$ 111,993</u>	<u>\$ 60,947</u>

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - MUNICIPAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		<b>Variance Positive / (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
Fines and forfeitures	\$ 57,500	\$ 67,263	\$ 9,763
Investment earnings		3,913	3,913
<b>Total Revenues</b>	<u>57,500</u>	<u>71,176</u>	<u>13,676</u>
<b>EXPENDITURES</b>			
Current:			
General government	12,000	11,965	35
<b>Total Expenditures</b>	<u>12,000</u>	<u>11,965</u>	<u>35</u>
<b>Changes in Fund Balance</b>	<u>45,500</u>	<u>59,211</u>	<u>13,711</u>
<b>Fund balances, beginning of year</b>	<u>110,781</u>	<u>110,781</u>	
<b>Fund balances at year end</b>	<u>\$ 156,281</u>	<u>\$ 169,992</u>	<u>\$ 13,711</u>

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - LIBRARY GIFT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		
	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive / (Negative)</b>
<b>REVENUES</b>			
Investment earnings	\$ 400	\$ 1,177	\$ 777
Other	10,500	10,518	18
<b>Total Revenues</b>	<u>10,900</u>	<u>11,695</u>	<u>795</u>
<b>EXPENDITURES</b>			
Current:			
Community services	8,375	7,519	856
<b>Total Expenditures</b>	<u>8,375</u>	<u>7,519</u>	<u>856</u>
<b>Changes in Fund Balance</b>	<u>2,525</u>	<u>4,176</u>	<u>1,651</u>
<b>Fund balances, beginning of year</b>	<u>38,004</u>	<u>38,004</u>	
<b>Fund balances at year end</b>	<u>\$ 40,529</u>	<u>\$ 42,180</u>	<u>\$ 1,651</u>

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - ESCROW PARK FACILITIES MAINTENANCE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		<b>Variance Positive / (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 500,000	\$ -	\$ (500,000)
Investment earnings	3,200	23,006	19,806
Other	300,000	343,200	43,200
<b>Total Revenues</b>	<u>803,200</u>	<u>366,206</u>	<u>(436,994)</u>
<b>EXPENDITURES</b>			
Current:			
Community services	301,939		301,939
<b>Total Expenditures</b>	<u>301,939</u>		<u>301,939</u>
<b>Changes in Fund Balance</b>	<u>501,261</u>	<u>366,206</u>	<u>(135,055)</u>
<b>Fund balances, beginning of year</b>	<u>822,177</u>	<u>822,177</u>	
<b>Fund balances at year end</b>	<u>\$ 1,323,438</u>	<u>\$ 1,188,383</u>	<u>\$ (135,055)</u>

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - LEAGUE CITY SPORTSPLEX**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		<b>Variance Positive / (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
Charges for services	\$ 143,500	\$ 182,508	\$ 39,008
Investment earnings	1,200	3,443	2,243
<b>Total Revenues</b>	<u>144,700</u>	<u>185,951</u>	<u>41,251</u>
<b>EXPENDITURES</b>			
Current:			
Community services	588,802	500,993	87,809
<b>Total Expenditures</b>	<u>588,802</u>	<u>500,993</u>	<u>87,809</u>
<b>Revenues over (under) expenditures</b>	<u>(444,102)</u>	<u>(315,042)</u>	<u>129,060</u>
<b>OTHER FINANCING SOURCES / (USES)</b>			
Transfers from other funds	<u>262,113</u>	<u>263,919</u>	<u>1,806</u>
<b>Changes in Fund Balance</b>	(181,989)	(51,123)	130,866
<b>Fund balances, beginning of year</b>	<u>208,238</u>	<u>208,238</u>	
<b>Fund balances at year end</b>	<u>\$ 26,249</u>	<u>\$ 157,115</u>	<u>\$ 130,866</u>

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - BUTLER MUSEUM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>
<b>REVENUES</b>			
Investment earnings	\$	\$ 20,000	\$ 20,000
Other	20,000	135	(19,865)
<b>Total Revenues</b>	<u>20,000</u>	<u>20,135</u>	<u>135</u>
<b>EXPENDITURES</b>			
Current:			
Community services	20,000		20,000
<b>Total Expenditures</b>	<u>20,000</u>		<u>20,000</u>
<b>Changes in Fund Balance</b>		20,135	20,135
<b>Fund balances, beginning of year</b>	<u>2,464</u>	<u>2,464</u>	
<b>Fund balances at year end</b>	<u>\$ 2,464</u>	<u>\$ 22,599</u>	<u>\$ 20,135</u>

**CITY OF LEAGUE CITY, TEXAS**  
**SPECIAL REVENUE FUND - ANIMAL CONTROL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive / (Negative)</u>
<b>REVENUES</b>			
Investment earnings	\$	\$ 178	\$ 178
Other	2,500	6,707	4,207
<b>Total Revenues</b>	<u>2,500</u>	<u>6,885</u>	<u>4,385</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	6,500	6,523	(23)
<b>Total Expenditures</b>	<u>6,500</u>	<u>6,523</u>	<u>(23)</u>
<b>Changes in Fund Balance</b>	(4,000)	362	4,362
<b>Fund balances, beginning of year</b>	<u>5,067</u>	<u>5,067</u>	
<b>Fund balances at year end</b>	<u>\$ 1,067</u>	<u>\$ 5,429</u>	<u>\$ 4,362</u>



### **DEBT SERVICE FUND**

This fund is used to account for the accumulation of resources and for the payment of principal and interest on general long-term debt of the City.

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**CITY OF LEAGUE CITY, TEXAS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*Year ended September 30, 2005*

	<b>2005</b>		<b>Variance Positive / (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 6,801,061	\$ 6,767,243	\$ (33,818)
Investment earnings	-	60,700	60,700
<b>Total Revenues</b>	<u>6,801,061</u>	<u>6,827,943</u>	<u>26,882</u>
<b>EXPENDITURES</b>			
Current:			
Contractual utility district rebate	3,318,200	3,172,300	145,900
Debt Service:			
Principal	2,256,381	2,256,381	
Interest and bond issue costs	2,383,833	2,155,997	227,836
<b>Total Expenditures</b>	<u>7,958,414</u>	<u>7,584,678</u>	<u>373,736</u>
<b>Revenues over (under) expenditures</b>	<u>(1,157,353)</u>	<u>(756,735)</u>	<u>400,618</u>
<b>OTHER FINANCING SOURCES / (USES)</b>			
Transfers from other funds	250,000	250,000	
<b>Total other financing sources (uses)</b>	<u>250,000</u>	<u>250,000</u>	
<b>Changes in fund balance</b>	<u>(907,353)</u>	<u>(506,735)</u>	<u>400,618</u>
<b>Fund balances, beginning of year</b>	<u>1,143,803</u>	<u>1,143,803</u>	
<b>Fund balances at year end</b>	<u>\$ 236,450</u>	<u>\$ 637,068</u>	<u>\$ 400,618</u>

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## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Capital Replacement Fund-General** – This fund is used to account for systematic transfer of funds from general governmental funds to accumulate, invest, and purchase equipment for general government purposes.

**Construction Reserve Fund** - This fund is used to account for systematic transfer of funds from general governmental and enterprise funds to accumulate, invest and procure general fixed assets and proprietary assets.

**CITY OF LEAGUE CITY, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
*September 30, 2005*

	<b>Capital Replacement Fund - General</b>	<b>Construction Reserve</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,351	\$ 983	\$ 6,334
Investments	414,256	65,550	479,806
Total current assets	<u>419,607</u>	<u>66,533</u>	<u>486,140</u>
Non-current assets:			
Contractual rights to water supply			
Capital asset net of depreciation	2,979,149	686,430	3,665,579
Land and improvements		406,031	406,031
Infrastructure	57,069	205,648	262,717
Buildings	7,349		7,349
Equipment and Furniture	5,794,228	125,156	5,919,384
Less Accumulated depreciation	<u>(2,879,497)</u>	<u>(50,405)</u>	<u>(2,929,902)</u>
Total non-current assets	<u>2,979,149</u>	<u>686,430</u>	<u>3,665,579</u>
Total assets	<u>3,398,756</u>	<u>752,963</u>	<u>4,151,719</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	55,577		55,577
Total liabilities	<u>55,577</u>		<u>55,577</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,979,149	686,430	3,665,579
Unrestricted	364,030	66,533	430,563
Total net assets	<u>\$ 3,343,179</u>	<u>\$ 752,963</u>	<u>\$ 4,096,142</u>

**CITY OF LEAGUE CITY, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

**INTERNAL SERVICE FUNDS**

*For the Year Ended September 30, 2005*

	<b>Capital Replacement Fund - General</b>	<b>Construction Reserve</b>	<b>Total</b>
<b>REVENUES</b>			
Miscellaneous	\$ 19,676		19,676
Total operating revenues	<u>19,676</u>		<u>19,676</u>
<b>OPERATING EXPENSES</b>			
Contractual services		1,858	1,858
Other supplies and expenses	9,957		9,957
Depreciation	<u>671,067</u>	<u>25,374</u>	<u>696,441</u>
Total operating expenses	<u>681,024</u>	<u>27,232</u>	<u>708,256</u>
Operating income (loss)	<u>(661,348)</u>	<u>(27,232)</u>	<u>(688,580)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	8,504	1,161	9,665
(loss) on disposal of assets	<u>(776)</u>	<u>(25,000)</u>	<u>(25,776)</u>
Total non-operating revenue (expenses)	<u>7,728</u>	<u>(23,839)</u>	<u>(16,111)</u>
Income (loss) before contributions and transfers	(653,620)	(51,071)	(704,691)
Transfers in	780,174		780,174
Transfers (out)	<u>(23,053)</u>		<u>(23,053)</u>
Change in net assets	103,501	(51,071)	52,430
Total net assets - beginning, as restated	<u>3,239,678</u>	<u>804,034</u>	<u>4,043,712</u>
Total net assets - ending	<u>\$ 3,343,179</u>	<u>\$ 752,963</u>	<u>\$ 4,096,142</u>

**CITY OF LEAGUE CITY, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2005

	<b>Capital Replacement Fund</b>	<b>Construction Reserve</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 19,676	\$	\$ 19,676
Disbursed for goods and services	30,083	(7,861)	22,222
<b>Net cash provided (used) by operating activities</b>	<b>49,759</b>	<b>(7,861)</b>	<b>41,898</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Due from other funds		42,211	42,211
Transfers from other funds	780,174		780,174
<b>Net cash provided by (used by) noncapital financing activities</b>	<b>780,174</b>	<b>42,211</b>	<b>822,385</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(619,779)	25,000	(594,779)
Gain on sale of land	(776)	(25,000)	(25,776)
<b>Net cash used by capital and related financing activities</b>	<b>(620,555)</b>		<b>(620,555)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(220,040)	(41,102)	(310,887)
Interest and dividend received	8,504	1,162	9,666
<b>Net cash provided by (used by) investing activities</b>	<b>(211,536)</b>	<b>(39,940)</b>	<b>(301,221)</b>
<b>Net decrease in cash and equivalents</b>	<b>(2,158)</b>	<b>(5,590)</b>	<b>(57,493)</b>
Cash and equivalents, beginning of year	7,509	6,573	34,515
<b>Cash and equivalents, at end of year</b>	<b>\$ 5,351</b>	<b>\$ 983</b>	<b>\$ (22,978)</b>
			29,312
Unrestricted cash and equivalents	\$ 5,351	\$ 983	\$ 6,334
	<b>\$ 5,351</b>	<b>\$ 983</b>	<b>\$ 6,334</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating Income (Loss)	(661,348)	(27,232)	(688,580)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	671,067	25,374	696,441
Increase (decrease) in accounts payable	40,040	(6,003)	34,037
<b>Net cash provided by operating activities</b>	<b>\$ 49,759</b>	<b>\$ (7,861)</b>	<b>\$ 41,898</b>



**CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS**

These schedules presents only the capital asset balances related to governmental funds.

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**CITY OF LEAGUE CITY, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE**  
*September 30, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
Land and buildings	\$ 44,741,305	\$ 25,645,471
Improvements other than buildings	187,847,401	174,800,476
Equipment	15,207,595	13,459,798
Construction in progress	4,249,347	17,144,739
	<u>\$ 252,045,648</u>	<u>\$ 231,050,484</u>
 Investment in General Fixed Assets Financed by:		
Contributions	\$ 618,401	\$ 618,401
Federal government and grants	1,696,728	1,696,728
Municipality	249,730,519	228,735,355
	<u>\$ 252,045,648</u>	<u>\$ 231,050,484</u>

**CITY OF LEAGUE CITY, TEXAS**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

*Year ended September 30, 2005*

	<b>Balance at September 30, 2004</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at September 30, 2005</b>
<b>General Government</b>				
Mayor and City Council	\$ 6,251	\$	\$	\$ 6,251
Administration	358,063		(14,125)	343,938
Municipal Court	517,350			517,350
Civil Service/Personnel	881,664		(14,125)	867,539
<b>Public Safety</b>				
Police	4,916,525	813,421		5,729,946
Fire	9,167,790	494,348		9,662,138
EMS	2,589,345	19,739	(105,573)	2,503,511
Building	102,006	24,172	(10,617)	115,561
Animal Control	369,335			369,335
Emergency Management	71,194			71,194
	17,216,195	1,351,680	(116,190)	18,451,685
<b>Public Works</b>				
Engineering & Planning	2,373,905		(90,101)	2,283,804
Streets & Drainage	175,274,794	9,661,659	(1,992,370)	182,944,083
Vehicle Maintenance	146,469		(14,958)	131,511
Facilities Maintenance	2,505,936	541,268	(11,069)	3,036,135
	180,301,104	10,202,927	(2,108,498)	188,395,533
<b>Community Services</b>				
Library	2,150,185	4,698	(14,456)	2,140,427
Parks & Recreation	24,340,366	11,447,442	(192,823)	35,594,985
	26,490,551	11,452,140	(207,279)	37,735,412
Internal Service Fund Assets	6,160,967	620,556	(186,044)	6,595,479
<b>Total</b>	<b>\$ 231,050,481</b>	<b>\$ 23,627,303</b>	<b>\$ (2,632,136)</b>	<b>\$ 252,045,648</b>

<b>Land and Buildings</b>	<b>Improvements other than Buildings</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Construction in Progress</b>	<b>Total</b>
\$	\$	\$ 6,251	\$	\$	\$ 6,251
		343,938			343,938
402,592		114,758			517,350
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
402,592		464,947			867,539
2,835,018	10,000	2,266,239	618,689		5,729,946
3,896,176	2,470,607	2,139,566	101,373	1,054,416	9,662,138
438,360	1,850,464	166,091	43,596	5,000	2,503,511
		5,403	110,158		115,561
326,608			42,727		369,335
36,405			34,789		71,194
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
7,532,567	4,331,071	4,577,299	951,332	1,059,416	18,451,685
1,711,769		129,026	85,800	357,209	2,283,804
2,974,589	176,709,995	1,387,054	248,125	1,624,320	182,944,083
		65,395	66,116		131,511
2,212,191		789,071	34,873		3,036,135
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
6,898,549	176,709,995	2,370,546	434,914	1,981,529	188,395,533
2,017,718		118,011		4,698	2,140,427
27,476,500	6,543,618	271,490	99,673	1,203,704	35,594,985
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
29,494,218	6,543,618	389,501	99,673	1,208,402	37,735,412
413,379	262,717	2,991,084	2,928,299		6,595,479
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 44,741,305	\$ 187,847,401	\$ 10,793,377	\$ 4,414,218	\$ 4,249,347	\$ 252,045,648

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**UNAUDITED STATISTICAL SECTION**

**CITY OF LEAGUE CITY, TEXAS**  
**GENERAL GOVERNMENTAL EXPENDITURES - BY FUNCTION**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Community Services</b>
1996	\$ 4,555,697	\$ 4,847,506	\$ 3,956,926	\$ 1,476,019
1997	5,205,272	4,765,391	4,473,679	1,435,403
1998	5,198,306	5,493,404	4,759,342	2,042,087
1999	5,173,783	5,913,922	5,498,760	2,227,616
2000	5,671,122	6,504,997	5,515,021	2,754,716
2001	5,713,231	7,629,663	6,194,687	2,984,904
2002	7,357,874	8,204,040	6,946,703	3,195,907
2003	7,446,844	8,739,647	7,036,127	3,373,144
2004	8,163,493	9,433,903	7,462,520	4,527,100
2005	9,205,493	11,336,910	8,906,921	3,715,646

This schedule includes expenditures of the General, Debt Service, Special Revenue Funds and Capital Projects Funds.



*Exhibit I*

<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 632,602	\$ 3,054,781	\$ 18,523,531
1,194,606	2,881,024	19,955,375
1,401,395	2,762,116	21,656,650
896,214	2,430,113	22,140,408
1,124,289	2,625,444	24,195,589
2,040,420	3,067,943	27,630,848
1,962,326	2,980,703	30,647,553
1,892,763	3,131,410	31,619,935
15,543,223	4,000,501	49,130,740
24,208,958	4,478,200	61,852,128

**CITY OF LEAGUE CITY, TEXAS**  
**GENERAL GOVERNMENTAL REVENUES - BY SOURCE**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Property Taxes *</b>	<b>Sales and Use Taxes</b>	<b>Franchise and Gross Receipts Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Inter-Governmental</b>
1996	\$ 11,439,524	\$ 3,125,584	\$ 1,673,010	\$ 597,877	\$ 469,889	\$ 122,831
1997	11,619,206	3,343,256	1,878,615	560,622	624,435	357,483
1998	11,924,113	3,697,167	2,042,269	824,722	694,435	378,900
1999	12,496,279	3,448,232	2,168,251	1,046,446	965,256	357,773
2000	12,736,701	3,827,716	2,153,695	1,241,478	954,318	274,422
2001	13,941,179	4,039,292	2,575,476	1,968,140	874,344	251,451
2002	15,817,659	4,147,638	2,648,961	2,075,384	911,914	1,402,594
2003	17,002,192	4,229,443	2,787,371	2,356,534	837,370	712,294
2004	18,384,555	4,633,633	2,984,317	2,722,313	1,042,429	2,083,145
2005	20,246,369	4,878,398	3,567,988	2,460,148	1,428,976	721,441

This schedule includes expenditures of all governmental funds.

\*Includes penalties and interest.

<b>Charges for Services</b>	<b>Earnings on Investments</b>	<b>Other</b>	<b>Total</b>
\$ 1,248,378	\$ 532,982	\$ 715,398	\$ 19,925,473
1,301,457	577,988	1,018,980	21,282,042
1,351,641	732,429	1,237,045	22,882,721
1,432,724	760,121	1,131,965	23,807,047
1,391,929	1,021,545	1,328,845	24,930,649
1,457,682	871,314	1,266,433	27,245,311
1,789,849	442,499	940,739	30,177,237
1,747,544	322,246	1,083,634	31,078,628
1,910,953	500,216	933,680	35,195,241
3,126,831	833,275	635,951	37,899,377

**CITY OF LEAGUE CITY, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Adjusted Tax Levy (A)</u>	<u>Current Tax Collections (B)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections (B)</u>
1996	1995	\$ 11,217,698	\$ 11,024,956	98%	\$ 201,821
1997	1996	11,502,860	11,310,073	98%	152,124
1998	1997	11,829,286	11,652,038	99%	131,480
1999	1998	12,182,934	12,036,667	99%	271,199
2000	1999	12,604,047	12,410,968	98%	155,335
2001	2000	13,988,728	13,676,269	98%	129,623
2002	2001	15,649,134	15,375,939	98%	282,000
2003	2002	17,021,332	16,765,294	98%	291,945
2004	2003	18,925,928	18,510,765	98%	298,935
2005	2004	20,703,814	20,338,727	98%	496,477

- (A) After exemptions and abatements.  
(B) Does not include penalties and interest.

<u>Total Tax Collections</u>	<u>Total Tax Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percentage of Current Levy</u>
\$ 11,226,777	100%	\$ 980,732	9%
11,462,197	100%	812,861	7%
11,783,518	100%	922,389	8%
12,307,867	101%	899,865	7%
12,566,303	100%	929,541	7%
13,805,892	99%	1,112,426	8%
15,657,939	100%	1,855,151	12%
17,057,239	100%	1,150,693	7%
18,809,700	99%	1,279,587	7%
20,835,204	101%	1,260,130	6%

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**CITY OF LEAGUE CITY, TEXAS**  
**ASSESSED AND ESTIMATED ACTUAL VALUE**  
**OF TAXABLE PROPERTY AND NEW CONSTRUCTION**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Estimated Actual Value</b>			<b>Assessed Value</b>	<b>New Construction</b>
		<b>Real Property</b>	<b>Personal</b>	<b>Total</b>		
1996	1995	\$ 1,373,847,957	\$ 113,254,985	\$ 1,487,102,942	\$ 1,445,124,647	\$ 95,067,011
1997	1996	1,419,727,957	114,083,728	1,533,811,685	1,489,384,885	82,488,743
1998	1997	1,511,454,972	116,970,638	1,628,425,610	1,579,975,182	140,214,146
1999	1998	1,767,461,754	127,986,749	1,895,448,503	1,729,179,966	144,722,736
2000	1999	1,991,358,391	134,872,129	2,126,230,520	1,944,231,961	167,020,999
2001	2000	2,211,147,621	134,512,863	2,345,660,484	2,150,248,812	210,290,828
2002	2001	2,407,701,866	152,929,565	2,560,631,431	2,354,884,729	269,586,599
2003	2002	2,743,760,122	161,052,207	2,904,812,329	2,683,367,782	267,048,749
2004	2003	2,998,403,953	174,058,147	3,172,462,100	2,917,871,383	319,693,947
2005	2004	3,470,777,863	176,244,201	3,647,022,064	3,354,274,461	351,615,213

Note - Assessment date is January 1st of the tax year.

Source - Tax department records of the City.

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of League City</u>	<u>Clear Creek ISD</u>	<u>College of the Mainland, Jr. College District</u>	<u>Dickinson ISD</u>	<u>Santa Fe ISD</u>	<u>Galveston County</u>
<b>TAX RATE</b>							
1996	1995	\$ 0.7750	\$ 1.4700	\$ 0.186476	\$ 1.7167	\$ 1.3600	\$ 0.5200
1997	1996	0.7700	1.5150	0.188175	1.7118	1.3700	0.5472
1998	1997	0.7500	1.5900	0.198815	1.7100	1.4440	0.5200
1999	1998	0.7250	1.6415	0.198815	1.7100	1.4940	0.5200
2000	1999	0.6700	1.5986	0.215762	1.7510	1.3670	0.5450
2001	2000	0.6675	1.7008	0.218000	1.7540	1.4222	0.5450
2002	2001	0.6625	1.7250	0.218000	1.7470	1.5100	0.5654
2003	2002	0.6500	1.7400	0.231870	1.7640	1.5700	0.6063
2004	2003	0.6400	1.7300	0.263060	1.7430	1.5700	0.6400
2005	2004	0.6300	1.7450	2.452500	1.7380	1.5700	0.6388
<b>TAX LEVIES</b>							
1996	1995	\$ 11,217,698	\$ 99,102,541	\$ 10,599,234	\$ 18,408,116	\$ 5,926,624	\$ 49,458,747
1997	1996	11,502,860	104,888,000	10,313,776	18,270,529	6,157,837	50,872,699
1998	1997	11,829,286	106,683,550	11,306,181	17,801,877	6,212,902	52,786,300
1999	1998	12,182,934	115,199,500	11,362,775	17,960,842	6,641,960	53,043,686
2000	1999	12,604,047	121,801,456	12,194,141	19,572,655	6,779,510	56,032,408
2001	2000	13,988,728	139,224,898	12,539,076	20,690,960	7,476,778	59,871,817
2002	2001	15,649,134	155,036,901	13,493,406	21,665,087	8,565,055	67,523,847
2003	2002	17,021,332	166,933,207	14,523,630	23,167,283	9,670,036	75,531,488
2004	2003	18,925,928	171,483,737	15,824,988	22,306,154	10,985,506	80,115,147
2005	2004	20,703,814	186,616,571	16,491,603	27,210,506	11,823,603	89,524,228

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

Source - Tax department records of the various governments.



*Exhibit V*

<b>Galveston Co. Mun. Utility District No. 2</b>	<b>Galveston Co. Mun. Utility District No. 3</b>	<b>Galveston Co. Mun. Utility District No. 6</b>	<b>South Shore Harbor Mun. Utility District No. 2</b>	<b>South Shore Harbor Mun. Utility District No. 3</b>	<b>South Shore Harbor Mun. Utility District No. 6</b>	<b>South Shore Harbor Mun. Utility District No. 7</b>	<b>Galveston Co. Mun. Utility District No. 13</b>
\$ 0.9500	\$ 0.6300	\$ 0.9000	\$ 0.5700	\$ 0.4300	\$ 0.7200	\$	\$ 0.9900
0.8400	0.6300	0.9000	0.5869	0.3900	0.6800		0.9900
0.7850	0.6040	0.9000	0.6200	0.3430	0.6200		0.9900
0.6850	0.5400	0.9000	0.6100	0.3350	0.5800		0.9690
0.6150	0.4800	0.8600	0.6000	0.3350	0.5100		0.9650
0.5600	0.4500	0.8600	0.5700	0.3250	0.4600		0.9650
0.4600	0.4300	0.7500	0.5700	0.3000	0.4000		0.9650
0.4300	0.3900	0.7000	0.5700	0.3000	0.3800	0.5000	0.9150
0.3900	0.3200	0.7000	0.5200	0.2400	0.3500	1.0000	0.8600
0.3650	0.2500	0.7000	0.4500	0.2200	0.3100	1.0000	0.7600
\$ 841,875	\$ 798,651	\$ 604,019	\$ 454,126	\$ 628,299	\$ 979,327	\$	\$ 421,643
786,727	849,486	594,348	473,382	579,294	1,039,666		415,894
808,917	931,290	596,644	498,918	522,246	1,037,818		441,635
747,778	925,028	611,792	499,372	513,116	1,016,784		481,645
747,112	936,832	757,730	526,711	537,329	992,594		619,414
740,834	970,229	898,113	762,243	576,291	959,138		726,250
695,144	1,005,329	943,928	874,296	582,013	899,892		835,031
679,527	937,691	1,008,251	986,361	602,101	873,235	6,171	903,717
670,997	942,747	1,169,610	907,047	503,556	825,311	240,436	941,344
654,226	629,809	1,306,524	884,145	485,543	760,495	653,771	917,350

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt To Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1996	42,781	\$ 1,445,124,647	\$ 24,724,340	\$1,279,070	\$ 23,445,270	1.62%	485
1997	45,347	1,489,384,885	23,732,360	1,726,424	22,005,936	1.48%	431
1998	48,500	1,579,975,182	23,025,934	2,131,266	20,894,668	1.32%	407
1999	48,500	1,729,179,966	21,896,723	2,162,025	19,734,698	1.14%	407
2000	50,000	1,944,231,961	28,643,321	1,838,309	26,805,012	1.14%	536
2001	50,000	2,150,248,812	27,109,904	1,488,004	25,621,900	1.19%	507
2002	51,700	2,354,884,729	25,718,316	1,259,924	24,458,392	1.04%	473
2003	55,000	2,683,367,782	45,769,331	1,542,196	44,227,135	1.65%	804
2004	62,000	2,917,871,383	48,439,480	1,143,803	47,295,677	1.62%	763
2005	65,000	3,354,274,461	59,957,437	637,068	59,320,369	1.77%	913

**CITY OF LEAGUE CITY, TEXAS**

**TAX RATE DISTRIBUTION**

*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Tax Rate</u>
1996	1995	\$ 0.40741	\$ 0.36759	\$ 0.77500
1997	1996	0.44738	0.32262	0.77000
1998	1997	0.45370	0.29630	0.75000
1999	1998	0.47990	0.24510	0.72500
2000	1999	0.44780	0.22220	0.67000
2001	2000	0.42650	0.24100	0.66750
2002	2001	0.43440	0.22810	0.66250
2003	2002	0.42150	0.22850	0.65000
2004	2003	0.42880	0.21120	0.64000
2005	2004	0.42940	0.20060	0.63000

**CITY OF LEAGUE CITY, TEXAS**  
**COMPUTATION OF NET DIRECT AND ESTIMATED OVERLAPPING DEBT**  
*September 30, 2005*

<u>Name of Governmental Unit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Debt Applicable to City</u>
Clear Creek ISD	\$ 519,913,625	14.21%	\$ 73,879,726
College of the Mainland Junior College District	3,530,000	6.80%	240,040
Dickinson ISD	87,197,960	15.00%	13,079,694
Galveston County	197,928,000	15.57%	30,817,390
Galveston County Municipal Utility District No. 2	9,046,403	100.00%	9,046,403
Galveston County Municipal Utility District No. 3	8,875,000	100.00%	8,875,000
Galveston County Municipal Utility District No. 6	20,175,000	100.00%	20,175,000
Galveston County Municipal Utility District No. 13	10,355,000	100.00%	10,355,000
Galveston County Municipal Utility District No. 14	14,995,000	100.00%	14,995,000
Galveston County Municipal Utility District No. 15	11,475,000	100.00%	11,475,000
Santa Fe ISD	18,938,173	11.24%	2,128,651
Harris County	2,260,437,000	0.07%	1,582,306
Harris County Flood Control District	417,417,000	1.41%	5,885,580
Port of Houston Authority	293,726,000	0.07%	205,608
South Shore Harbour Municipal Utility District No. 2	7,660,000	100.00%	7,660,000
South Shore Harbour Municipal Utility District No. 3	4,755,000	100.00%	4,755,000
South Shore Harbour Municipal Utility District No. 6	9,445,000	100.00%	9,445,000
Tara Glen Municipal Utility District	4,120,000	100.00%	4,120,000
South Shore Harbour Municipal Utility District No. 7	14,190,000	100.00%	<u>14,190,000</u>
		<b>Total Overlapping Debt</b>	242,910,398
City of League City	59,320,369	100.0%	<u>59,320,369</u>
		<b>TOTAL DIRECT AND OVERLAPPING BONDED DEBT</b>	<u><u>\$ 302,230,767</u></u>
		<b>TOTAL DIRECT AND OVERLAPPING BONDED DEBT PER CAPITA</b>	<u><u>\$ 4,650</u></u>

Source - Tax department records of the various governments.

**CITY OF LEAGUE CITY, TEXAS**  
**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT**  
**TO TOTAL GENERAL EXPENDITURES**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Agent Fees</u>	<u>Total Debt Service</u>	<u>General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1996	\$ 990,712	\$ 1,620,470	\$ 2,611,182	\$ 18,523,531	14.10%
1997	991,980	1,488,616	2,480,596	19,955,375	12.43%
1998	1,063,168	1,384,172	2,447,340	21,656,650	11.30%
1999	1,039,920	1,390,193	2,430,113	22,140,408	10.98%
2000	1,101,412	1,524,032	2,625,444	24,646,684	10.65%
2001	1,556,841	1,511,102	3,067,943	27,630,848	11.10%
2002	1,544,193	1,436,510	2,980,703	30,647,553	9.73%
2003	1,678,376	1,453,034	3,131,410	31,619,935	9.90%
2004	1,890,451	2,110,050	4,000,501	49,130,740	8.14%
2005	2,256,381	2,221,819	4,478,200	61,852,128	7.24%

General Expenditures include all expenditures from governmental funds.

**CITY OF LEAGUE CITY, TEXAS**  
**REVENUE BOND COVERAGE**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (B)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Principal and Interest</u>	<u>Ratio of Coverage</u>
1996					(A)
1997					(A)
1998					(A)
1999					(A)
2000	\$ 16,469,948	\$ 6,488,894	\$ 9,981,054	\$ 423,304	23.58
2001	16,352,374	7,415,273	8,937,101	1,231,841	7.26
2002	16,696,802	7,777,851	8,918,951	1,296,803	6.88
2003	16,125,929	9,379,882	6,746,047	1,611,611	4.19
2004	16,667,951	8,948,150	7,719,801	1,571,299	4.91
2005	19,374,530	9,073,470	10,301,060	1,873,323	5.50

(A) Data not available

(B) Excluding depreciation and including GCWA contract revenue bond debt service.

**CITY OF LEAGUE CITY, TEXAS**  
**DEMOGRAPHIC STATISTICS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Population (A)</b>	<b>Median Annual Income</b>	<b>Median Age</b>	<b>School Enrollment (C)</b>	<b>Unemployment Rate % (D)</b>
1996	42,781	\$ 35,315 (B)	34.1 (B)	10,339	8.1%
1997	45,347	36,020 (B)	34.5 (B)	10,739	8.1%
1998	48,500	40,629 (B)	34.7 (B)	9,363	6.6%
1999	48,500	44,218 (B)	33.8 (B)	8,799	6.5%
2000	50,000	42,950 (B)	33.1 (B)	9,101	5.9%
2001	50,000	44,218 (B)	33.1 (B)	9,601	6.0%
2002	51,700	48,647 (B)	33.1 (B)	10,007	7.4%
2003	55,000	51,611 (E)	33.7 (E)	10,582	8.2%
2004	62,000	73,584 (E)	34.9 (E)	11,102	7.7%
2005	65,000	75,562 (E)	35.4 (E)	11,883	5.8%

Sources: (A) Estimated  
(B) Clear Lake Area Chamber of Commerce  
(C) Clear Creek ISD  
(D) Texas Workforce Commission  
(E) City of League City Claritas Survey

**CITY OF LEAGUE CITY, TEXAS**

**PRINCIPAL TAXPAYERS**

*September 30, 2005*

<u>Taxpayer</u>	<u>Business Type</u>	<u>2004 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
1 Texas - New Mexico Power	Electric Utility	\$ 31,050,860	0.9%
2 Fairways at South Shore LTD	Real Estate	30,997,650	0.9%
3 South Shore Harbour Development	Real Estate	27,064,510	0.8%
4 Verizon Southwest	Telephone Utility	17,565,840	0.5%
5 Palm Investors, LP	Real Estate	12,172,010	0.4%
6 South Shore Lakes, Ltd	Real Estate	12,104,020	0.4%
7 Clear Lake Partners	Retail Department Store	10,899,990	0.3%
8 American National Ins	Insurance	10,322,970	0.3%
9 New York Life Ins	Insurance	9,999,980	0.3%
10 Centerpointe Energy, Inc	Electric Utility	9,694,200	0.3%
		<u>171,872,030</u>	<u>5.1%</u>
Other Properties		<u>3,182,402,431</u>	<u>94.9%</u>
	<b>TOTAL</b>	* <u><u>\$ 3,354,274,461</u></u>	<u><u>100.0%</u></u>

Source - Tax department records of the City.

\* - Net of exemptions and abatements.



**CITY OF LEAGUE CITY, TEXAS**  
*Miscellaneous Statistical Data (Unaudited)*  
 September 30, 2004

*Exhibit XIII*

<b>Date of Incorporation</b>	1961
<b>Date of Adoption of City Charter (Home Rule Charter)</b>	22-Mar-62
<b>Form of Government</b>	Mayor - Council
<b>Education</b>	
Clear Creek ISD	
Number of teachers	1,724
Number of students	34,989
<b>City Employees - full time</b>	392
<b>Fire Protection</b>	
Number of Stations	5
Employees - Fulltime	1
Volunteers	124
<b>Police Protection</b>	
Number of Stations	1
Civil Service employees	85
Number of Vehicles	90
<b>Recreation - Parks</b>	
Number of parks	8
Number of ball fields	33
Number of Swimming pools	1
Number of Acres	189
<b>Water</b>	
Sources (in thousands of gallons)	
Thomas Mackey Water Plant	674,036
Gulf Coast Water Authority	1,861,944
Galveston County WCID #1	103,112
City Well	17,391
	<u>2,656,483</u>
Average daily gallons pumped - combined water	7.3 MGD
Average daily gallons pumped - surface water	7.2 MGD
Average daily gallons pumped - well water	.47 MGD
Maximum daily gallons pumped	14,506,000
Number of water connections	21,459
<b>Sewer</b>	
Average daily effluent treated	6.166 MGD
Maximum daily effluent treated	20.655
Number of connections	20,328

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