

# WATAUGA

T E X A S

*WATAUGA - A GREAT PLACE TO LIVE!*



*NEW FIRE STATION - PROJECTED OPENING FALL 2010*

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2010*

**CITY OF WATAUGA, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED  
SEPTEMBER 30, 2010**

**PREPARED BY**

**THE CITY OF WATAUGA**

**FINANCE DEPARTMENT**

**CITY OF WATAUGA, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2010**

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**CITY OF WATAUGA, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2010**

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## **INTRODUCTORY SECTION**



February 23, 2011

**TO: Honorable Mayor  
Members of the City Council  
Citizens of the City of Watauga, Texas**

**Financial Report and Audit Requirement.** As required by City of Watauga Charter Section 9.06 (C) and various other obligations including, but not limited to, bond covenants, "At the close of each fiscal year, and at such time as it may be deemed necessary, the Council shall cause an independent audit to be made of all accounts of the City by a certified public accountant. Upon completion of the audit, the results thereof in a summary form shall be placed on file in the City Secretary's office as a public record." Financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to those requirements, we are hereby pleased to submit the comprehensive annual financial report of the City of Watauga for the fiscal year ended September 30, 2010.

**Responsibility.** Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City of Watauga 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 financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the City of Watauga's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Weaver, a firm of licensed certified public accounts headquartered in Fort Worth, TX, audited the City of Watauga financial statements. The goal of the independent auditors was to provide reasonable assurance that the financial statements of the City of Watauga for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principals used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Watauga's financial statements for the fiscal year ended September 30,

2010, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

**Document Layout.** We hope that you will find the information in this document helpful in reviewing the financial position of the City of Watauga for the fiscal year ended September 30, 2010. The Comprehensive Annual Financial Report (CAFR) is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes this transmittal letter, the City’s organizational chart, and a list of principal officials. The financial section includes: Management’s Discussion and Analysis (MD&A), basic financial statements, required supplementary information, combining and individual fund statements and schedules, and the independent auditor’s report on the basic financial statements. The letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The City of Watauga's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, but is not reviewed by the independent auditors of Weaver.

**Single Audit Act.** The City of Watauga was not required to undergo an annual audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-128, “Audits of State and Local Government,” since limited Federal financial assistance was received during the fiscal year ended September 30, 2010.

**Location and Demographics.** The City of Watauga is located in Tarrant County, approximately 10 miles northeast of downtown Fort Worth and 25 miles northwest of downtown Dallas. The City’s corporate boundary comprises a total of approximately 4 square miles. Watauga’s population as established by the 2000 U.S. Census was 21,908 and was estimated by the North Central Texas Council of Governments at 24,350 as of January 1, 2010.

***Watauga Statistics***

<b>Population (Estimated Jan 10)</b>	24,350
<b>Area (Square Miles)</b>	4
<b>Percent Developed/Undeveloped (Estimated 2010)</b>	96%/4%
<b>Unemployment Rate (August 2010)</b>	
Tarrant County	8.40%
State	8.30%
<b>Median Age (2000 Census)</b>	31.6
<b>Average Household Size (2000 Census)</b>	3.04
<b>Mean Household Income (2000 Census)</b>	\$56,751
<b>Educational Level (%) (2000 Census)</b>	
No High School Diploma	13.90%
High School Diploma	71.30%

Post High School Degree 14.80%

**Housing**

Number of Housing Units – (2000 Census) 7,145  
 Estimated Housing Units (Jan 2010) 8,131  
 Average Household Size (2000 Census) 3.04  
 Average Parcel Market Value (Tarrant Appraisal District Jul 2010) \$96,147  
 Average Parcel Taxable Value (Tarrant Appraisal District Jul 2010) \$91,183  
 City Property Tax Rate (Per \$100) \$0.580763  
 Percent Owner Occupied (2000 Census) 85.40%  
 Percent Renter Occupied (2000 Census) 14.60%

**Industry Employment Profile (%) (2000 Census)**

Tech, Sales, Admin. Support 33.20%  
 Service Occupations/Agriculture 11.30%  
 Manager and Professional 28.00%  
 All others 27.50%

**Sales Tax Revenue Projection General Fund for FY 2011** \$2,595,000

**Operating Budget (2010-2011)** \$26,870,426

**MAJOR EMPLOYERS**

*Top Ten Employers in 16-County NCTCOG Region*

<b>Name</b>	<b>Employees*</b>
Lockheed Martin Aeronautics Company, Fort Worth	13,500
American Airlines/AMR, DFW Airport	11,709
NAS Fort Worth Joint Reserve Base, Fort Worth	11,350
Texas Instruments, Dallas	9,800
Parkland Health & Hospital System, Dallas	9,178
UT Southwestern Medical Center, Dallas	8,545
University of North Texas, Denton	7,762
American Airlines/AMR, Fort Worth	6,500
Baylor University Medical Center At Dallas, Dallas	5,500
University of Texas At Arlington, Arlington	5,300

\* Site Employment - NCTCOG's Major Employers inventory identifies employment establishments in the 16-county North Central Texas region with a minimum of 250 full-time and part-time workers. Given that this employment inventory is based on location rather than company-wide totals, several firms may have multiple listings, one for each site with 250 or more employees. However, large firms that do not have a single location with this minimum employment size are not included in the inventory. An employment establishment may consist of a single building or a collection of adjacent buildings occupied by one employer, such as a college campus or business park.

**Form of Government.** The City of Watauga Home Rule charter was adopted on January 19, 1980. The City operates under a Mayor-Council-Manager form of government, with the City Council comprised of eight members including the Mayor. All seven Council members are elected by place number. Due to an amendment in the home rule charter in 1996, the term of office was changed from two-year terms to three-year terms. However, terms were changed back to two-year terms in 2005 by another amendment. The City Council is responsible for adopting ordinances and regulations governing the City, adopting the budget, determining policies, and appointing the city manager, city attorney, municipal court judge, as well as members of boards and commissions. The City Manager is responsible to the City Council for appointing and supervising employees of the City (except for those appointed by the Council) and for preparing and administering the annual budget and capital improvement program (CIP).

**Reporting Entity and Services.** This report includes all of the funds and account groups of the City. It also includes all activities over which the City is considered to be financially accountable.

Services provided by the City under general government functions include police and fire protection, street maintenance, building inspections services, library services, recreation, park operations, and the maintenance and operations of City-owned buildings. The City also has two enterprise funds for operations and management of its Drainage and Water & Sewer Systems.

The Watauga Parks Development Corporation Sales Tax Fund was established to account for a ½ cent sales tax increase approved by voters in May 1994. The purpose of the increase in sales tax is to build City parks and improve existing parks under the supervision of the Watauga Parks Development Corporation Board of Directors.

The Watauga Crime Control and Prevention District Fund was established to account for a ½ cent sales tax increase approved by voters in March 1996. In November 2010, the voters approved a ten-year term extension for the District, which now expires in 2021. The purpose of the increase in sales tax is to enhance law enforcement in the City of Watauga. The additional funding will be used to add officers and purchase additional equipment and supplies for law enforcement purposes.

The Birdville and the Keller Independent School Districts (ISDs) provide elementary and secondary education services within the City. The City is not financially accountable for the districts and, accordingly, financial data for the school districts are not included in this report.

**Fund Structure.** The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The various funds are grouped by type in the financial statements.

As of September 30, 2010, there were twenty-six funds. A description of the major funds or groups of funds follows: the General Fund, which is used to account for all financial resources, except those accounted for in another fund; Debt Service Funds, which are used to account for

resources used in the payment of principal and interest on the City's general obligation bonds and other general indebtedness; Capital Projects Funds, which are used to finance construction costs on authorized capital projects and payments for the acquisition of equipment purchased with contractual obligation proceeds; the Storm Drainage Utility Enterprise Fund, which is used to account for revenues and expenses related to the operations and maintenance of the City's drainage utility system; Water/Sewer Utility Funds, which are used to account for revenues and expenses related to the Water/Sewer utility system, including a Water/Sewer Construction fund used to finance construction costs on authorized utility projects; Special Revenue Funds, two of which are used to account for the ½ cent sales tax increase approved by the voters in May 1994 for parks, one to account for the ½ cent sales tax increase approved by voters in March 1996, reapproved by voters in 2001 and 2010 for a ten-year period, for crime control and prevention, a fund to account for public donations made to the City specifically for the benefit of the public library, a fund to account for the \$3 per offense fee approved by council in 1999 to be used for updating the Municipal Court security, a fund to account for the \$4 per offense fee approved by council in 1999 to be used for updating technology in the Municipal Court, a fund to account for the \$5 fee for each violation, except parking, approved by Council in September 2008 to support the Juvenile Case Manager, a traffic management fund to account for receipts from the Red Light Ticket program, a Park Vista Fund to account for maintenance assessment on four acres of land annexed by the City, a Watauga Parks Development Corporation Construction fund used to account for the acquisition and construction of major capital park facilities and equipment funded with resources from sales tax revenue bonds in the Park Development Debt Service Fund and revenues generated from sale of property owned by the Parks Development Corporation, and an Equipment Replacement Fund used to purchase various replacement capital items in the City.

The various funds and account groups presented in this financial report were created under the authority of the Charter of the City of Watauga, Texas, as amended up to and including November 6, 2007, and additionally, by the authority of the State of Texas as outlined in Vernon's Annotated Civil Statutes. A description of the funds used by the City and their purpose and the basis of accounting for transactions can be found in Note 1 of the Notes to General Purpose Financial Statements.

**Budgetary Control.** The City Charter requires the City Manager to submit a proposed budget for the fiscal year beginning October 1 to the City Council by August 1 each year, and provides for Council adoption of the budget by September 15. Prior to August 1, the City Manager and city department heads prepare expenditure/expense estimates for the remainder of the current fiscal year and for the ensuing fiscal year, and these are compared to estimates of revenue for the same periods. Included in the assessment is the Capital Improvements Projects or CIP program. This program is a five-year plan of major capital programs which may include infrastructure, equipment, buildings, land, or other major expenditures. Adjustments are made to the departmental expenditure/expense estimates as necessary to ensure that the proposed budget is balanced within total estimated income as required by the City Charter.

Following adoption of the budget by the City Council, the City Manager and department heads monitor expenditures/expenses and revenues throughout the year to ensure that the integrity of the budget is maintained. The Charter allows the City Manager to transfer appropriation balances among programs within a department, and provides for transfers of appropriation

balances from one department to another upon approval of an ordinance by the City Council. Under certain circumstances, the Charter also allows the City Council to make amendments to the budget for emergencies. The City Manager is required to make monthly reports to the Council concerning the financial condition of the City.

**Financial Condition.** The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Watauga operates. The City of Watauga is a part of the “Southwest Metroplex” of north-central Texas, which included the cities of Dallas and Fort Worth and has a total population of almost five million people. The economy of the area is based upon diversified manufacturing and service industries, and agriculture. The eleven county Dallas-Fort Worth Metroplex has been designated as one Consolidated Metropolitan Statistical Area, and constitutes the second largest inland metro area in the world. Economic conditions in the Metroplex continue to be influenced by the development and operation of the Dallas-Fort Worth International Airport, which is located only 10 miles to the southeast of Watauga. The airport, which celebrated its 36th anniversary in 2010, covers approximately twenty-eight square miles and represents one of the largest facilities of its kind in the world. It contributes over \$16 billion to the local economy.

The City of Watauga property values, like most of those nation-wide, declined in the current year. Total taxable value for all residential and commercial property in the City of Watauga fell from approximately \$1.027 billion for FY2009 to about \$1.008 billion for FY2010. The taxable values for FY2011 are expected to be about the same as those for FY2010. Economic conditions for the Metroplex seem to be improving faster than the national average, which may result in higher property tax values, thus higher property taxes given the same rate, and sales tax receipts.

New development is expected to be minimal as the as the City is approximately 96% developed. Thus our land use assumptions indicate that our maximum population should not be much more than 25,000 residents. The City is entering a phase where revenue growth will be slow or nonexistent, while requests for services and infrastructure replacement for streets and utility needs will increase.

**Future Plans.** The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2011 and subsequent years. Working within the framework of current financial constraints, the City will complete a new Fire/EMS Station and continue to work toward the goal of enhancing the capabilities of the Police and Fire department, while maintaining existing citizen services. Future construction plans include continued street reconstructions and upgrade/maintenance of the water/sewer system.

**Cash Management.** The City of Watauga maintains a minimum amount of cash in a checking account to meet the City’s operational needs. Other funds are invested in compliance with the City’s formal investment policy. The City’s investment policy is approved annually by the City Council, and is compliant with Texas State law. The City’s Investment Policy has achieved the Government Treasurer’s Organization of Texas’ Investment Policy Certificate of Distinction award. The investment policy is very conservative and minimizes credit and market risks, while

maintaining a competitive yield on our portfolio. The City's investment policy also stipulates the types of financial institutions with which the City may make investments and establishes specific collateral and safekeeping requirements.

At the end of FY2010, all non-depository investments were in local government investment pools (49%) or CDs (51%). The averaged weighted maturity of these investment pools ranged from 28 days to 80 days. The CDs were invested for periods of not more than two years. Interest rates for the year declined significantly from the prior year. The average yield for the quarter ended September 30, 2010 was 0.26% for investment pools and 0.60% for CDs.

**Risk Management.** A city government is constantly exposed to risk of all kinds, including damage to public property and liability resulting from injury to persons and damage to their property. As a means of providing reasonable protection against these risks, the City of Watauga participates in the Texas Municipal League (TML) Joint Self-Insurance Fund for its property loss coverage and part of its liability coverage. As a member of the program, the City is provided the most extensive protection available to Texas cities in the areas of comprehensive general liability, auto liability, losses to municipal building and contents, and for law enforcement and public officials' liability coverage.

In addition, the City is an active participant in the Texas Municipal League Worker's Compensation Joint Insurance Fund. TML provides medical and indemnity payments to workers injured while performing their duties for public entities in Texas.

**Employee Retirement System.** The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid-defined benefit plan in the statewide Texas Municipal Retirement System (TMRS). The City of Watauga is one of over 837 cities administered by TMRS, an agent multiple-employer public employee retirement system. Details of the plan can be found in Note 6 of the notes to the financial statements.

**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga for its comprehensive annual financial report for the fiscal year ended September 30, 2009. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

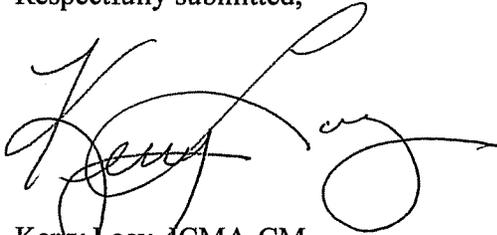
A Certificate of Achievement is valid for a period of one year only. The City of Watauga has received a Certificate of Achievement for the last twenty-five consecutive years. We believe that our current comprehensive annual financial report continues to meet to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Watauga also received the GFOA's Distinguished Budget Presentation Award for our annual budget document for the fiscal year beginning October 1, 2009. This is the twenty-first consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

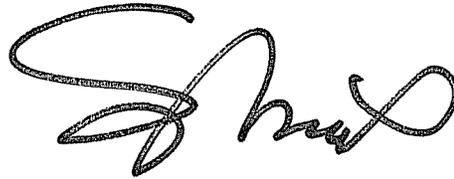
The City of Watauga has also received its fourth consecutive Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The Government Treasurer's Organization of Texas conducts an Investment Policy Certification program, which is designed to provide professional guidance in developing an investment policy and to recognize outstanding examples of written investment policies. This is awarded to those entities that have developed an Investment policy, which meets established criteria. The Certificate is awarded for two years and then may be renewed upon review. Only 57 other entities have received this award.

In conclusion, we wish to thank the City Council for their continued leadership and direction in setting the financial policies of our City. We also want to thank each person who has contributed to the preparation of this comprehensive annual financial report and the financial achievements reflected herein. And finally, we wish to express our appreciation to each City employee for his or her loyalty and dedication, as demonstrated during the past fiscal year.

Respectfully submitted,



Kerry Lacy, ICMA-CM  
City Manager



Scott R. Neils, DIBA, MBA, CPA, CMA, CGFO  
Managing Director of Finance, Budget  
Development, Utility Administration, &  
Municipal Court

CITY OF WATAUGA, TEXAS  
 PRINCIPAL OFFICIALS AS OF  
 SEPTEMBER 30, 2010

Elected Officials		Term Expires
Mayor	Henry J. Jeffries	2011
Mayor Pro Tem Council Member Place 1	Brandon Krausse	2012
Council Member Place 2	Robert Davis	2012
Council Member Place 3	Mike Steele	2011
Council Member Place 4	Mark Hutchinson	2011
Council Member Place 5	Larry Irving, Sr.	2011
Council Member Place 6	Vacant	
Council Member Place 7	Tim Nickerson	2012

Appointed Officials

City Manager	Kerry Lacy, ICMA-CM
City Attorney	Mark G. Daniel
City Secretary	Deeanna Looney
Public Works Director	Johnnie Reagan
Library Director	Lana Ewell
Parks and Community Services Director	Sal Torres
Police Chief (Interim)	George Joyce
Fire Chief	Bill Crawford
Managing Director of Finance, Budget Development, Utility Administration, and Municipal Court	Dr. Scott Neils, DIBA, MBA, CPA, CMA, CGFO

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Watauga  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

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



President

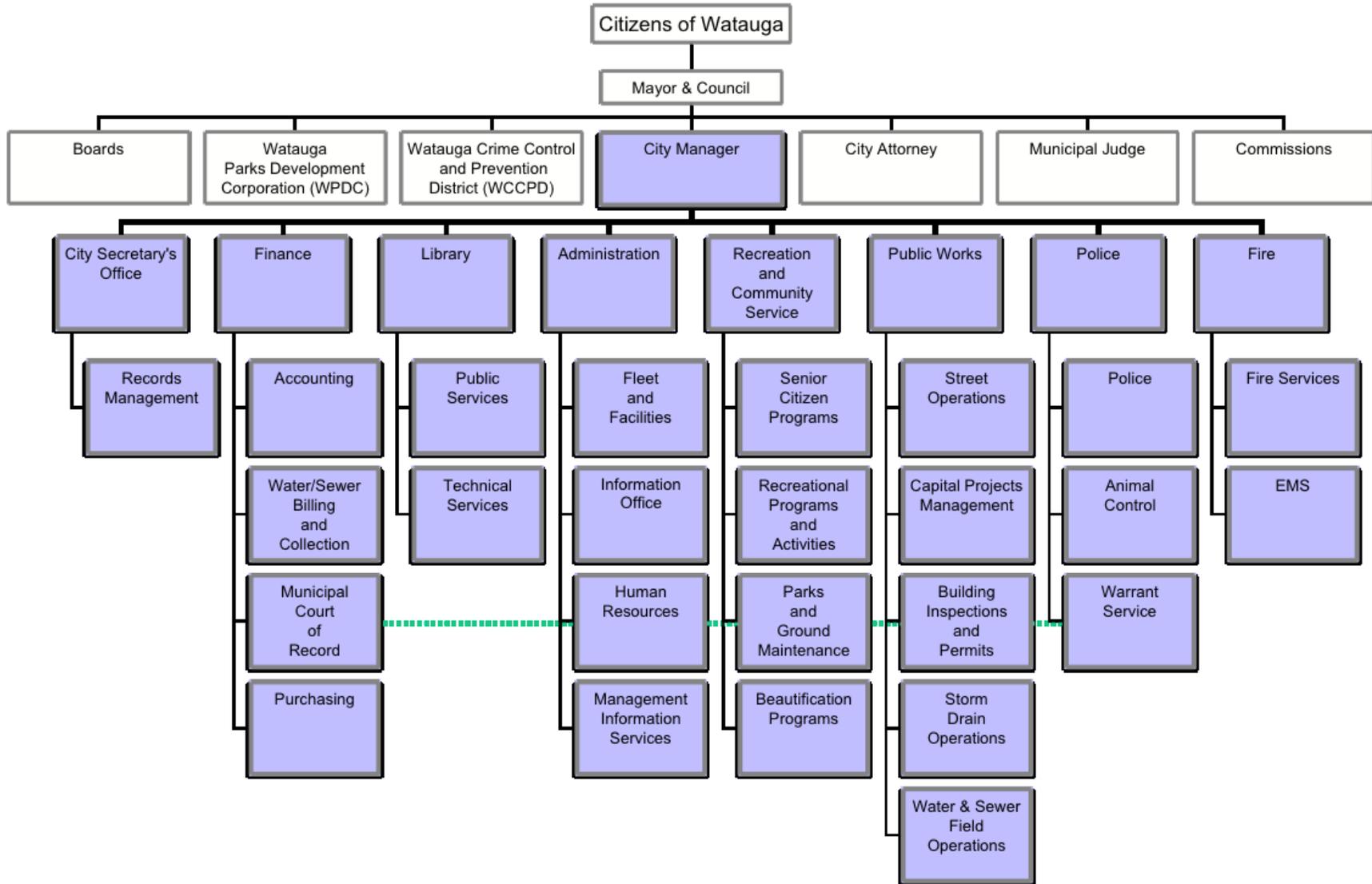
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2009. The City of Watauga has received the Certificate of Achievement, which is a prestigious national award, for the last twenty-four consecutive years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

# CITY OF WATAUGA ORGANIZATIONAL CHART



## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
City Council and City Manager  
City of Watauga, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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. 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, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas as of September 30, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 52 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor,  
City Council and City Manager  
City of Watauga, Texas

Page 2

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 23, 2011

**Management's Discussion and Analysis**  
For the Year Ended September 30, 2010  
(Unaudited)

On behalf of the City Council, we, as management of the City of Watauga, offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010.

We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal and the Statistical Section, which can be found on pages i-viii and pages 64-85 of this report respectively. Also, you may review additional information on the annual budget and other community facts and figures on the City's website at [www.ci.watauga.tx.us](http://www.ci.watauga.tx.us).

Please note that the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited.

**Financial Highlights – See Tables 1-5 and Figures 1-2 in Appendices**

- At September 30, 2010, Government-Wide Total Assets exceeded Total Liabilities by \$62,672,067 (Net assets) or an increase of \$1,473,918 over the prior year.
  - Governmental Activities Total Net Assets increased by \$1,513,008 due primarily to Construction in Progress for the new Fire/EMS station.
  - Business-Type Activities Total Net Assets decreased by \$39,090.
- Of Total Government-Wide Net Assets, \$12,529,038 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of \$934,703 from the prior year. The reduction is due primarily to use of fund balance to offset decline in revenues from economic slowdown.
- Total Governmental Funds ending balance was \$13,872,061, a slight increase of \$6,655. The Unreserved General Fund balance is \$6,367,731, or 64% of total General Fund expenditures.
- The City's total long-term debt decreased from \$24,400,462 to \$22,199,388 or \$2,201,074 due to debt service payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

We intend this discussion and analysis to serve as an introduction to the City of Watauga's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Watauga's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City of Watauga's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Watauga that are 1) principally supported by taxes and intergovernmental revenues (governmental activities), and 2) functions that are intended to recover all or a significant portion of their costs through user fees and charges (proprietary or business-type activities). The governmental activities of the City include General Government, Police, Fire/EMS, Culture and Recreation, and Public Works. The proprietary or business-type activities of the City include Water/Sewer and Drainage system activities.

The government-wide financial statements include not only the City of Watauga itself (known as the primary government), but also include the Watauga Parks Development Corporation (WPDC) and the Watauga Crime Control and Prevention District (WCCPD), which are legally separate but financially accountable to the City. A blended presentation is used to report the financial information of these component units. The financial information for the individual component units is available from the City.

The government-wide financial statements are on pages 16-17 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and an (3) internal service.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, and Capital Projects funds, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary funds.** The City maintains two major proprietary or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer and Drainage activities. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for some of its equipment replacement. Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water/Sewer and Drainage, both of which are considered to be major funds of the City. The Internal Service Fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 22-26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-50 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information (RSI) can be found on pages 51-53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-67 of this report.

### **Government-wide Financial Analysis**

Total Assets of the City are \$87,668,190. Capital assets, net of depreciation, represent the largest portion of the City's assets (\$65,444,586, or 74.7%) and include land, building, improvements, equipment, infrastructure, and construction-in-progress, less any debt still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Assets may serve as a useful indicator of a government's financial position. As of September 30, 2010, the City of Watauga's assets exceeded liabilities by \$62,672,067 (Net Assets).

Net Assets Invested in Capital Assets, Net of Related Debt is \$49,617,108. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets are \$525,921, or 0.8% of total net assets, and represent resources that are subject to external restrictions on how they may be used. The remaining balance of total net assets is unrestricted (\$12,529,038 or 20%) and may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2010, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities.

Overall, there was an increase of \$1,473,918 or 2.4% in total net assets during the fiscal year. Governmental activities showed an increase of \$1,513,008, while Business-type activities showed a net decrease of \$39,090.

**Governmental activities.** Governmental activities total increase in net assets was \$1,513,008 or 3.8% over the prior year, accounting for all of the growth in total net assets.

Key elements of activity changes from the prior year are as follows:

- Total revenues increased \$159,774 or 1.1% from the prior year, while expenses increased slightly by \$15,957 or 0.1%.
- Fee, Fine, and Charges revenue increased \$67,215 or 3.2%. This was due to increased emphasis on the quantity and type of citations issued, and on clearing older warrants.
- Total tax revenues increased \$141,229, with property tax down \$51,838 due to lower property valuations. Investment income declined again this year due to continued lower interest rates. This year's decline was \$210,874, which followed a decline of \$329,053 last year. Both tax revenues and interest income have been impacted by the eroding economic climate in the country. It does appear that the economy is beginning a recovery, which we believe will stabilize tax revenues.
- Transfers in increased \$326,266 from the prior year due primarily to transfers to Capital Projects.

**Business-type activities.** Compared to prior year, Business-type activities revenues decreased by \$93,801, and expenses increased by \$316,643, leaving a \$410,444 decrease in net assets before transfers. Net transfers decreased by \$326,266, which leads to Business-type activities showing a net decrease in Net Assets of \$736,710 compared to last year. Total Business-type Activities Net Assets were \$21,455,488, or a decrease of \$39,090 from prior year.

Significant changes from the prior year include:

- Total revenues declined \$93,801 or 1.2%
  - Fees, Fines and Charges for Services revenue decreased slightly by \$7,006 or 0.1%.
  - Interest earnings declined by \$86,795 or 78.3% due to lower interest rates on investments.

- Total expenses increased by \$316,643 or 4.7%. This was due primarily to higher purchases of water and sewer services (\$415,917, 7.5%) related to higher internal consumption and increased line loss.
- Transfers decreased \$326,266 from prior year due to fewer water/sewer projects.

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

At the end of the current fiscal year, the City of Watauga's governmental funds reported a combined ending fund balance of \$13,872,061, which is an increase of \$6,655 from the prior year. Undesignated fund balance is \$9,261,491 or 67% of total governmental fund balance. Undesignated fund balance is available for spending at the government's discretion. The remainder of fund balance is reserved or designated, indicating that it is not available for new spending because it has already been committed 1) to pay for specific capital improvements per development agreements for acquisition of land and construction of Fire/EMS station (\$2,969,135) and capital improvements for Parks (\$1,037,408), and 2) to pay scheduled debt service (\$574,998).

The general fund is the primary operating fund of the City. The fund balance has decreased by a net \$322,927 over the prior year, to \$6,367,731. The G.O. Capital Projects Fund decreased by \$160,737 over prior year to an ending balance of \$2,969,135 primarily due to completion police facility and beginning of Fire/EMS station construction.

Other Governmental Funds showed a \$601,101 increase in fund balance from the prior year

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

Unrestricted net assets of the respective proprietary funds are Water/Sewer at \$3,399,241, and Drainage Utility at \$983,980. The proprietary funds had a combined net asset decrease of \$39,090. The Water/Sewer fund had an increase in net assets of \$146,912, while the Drainage utility has a net asset decrease of \$173,449. The adjustments for consolidation of the Internal Service fund included an additional loss of \$12,553.

## **Budgetary Highlights**

The City Council did make one Budget Adjustment in FY2010 to reflect a wage adjustment of three percent for all full-time employees with over one-year of service. After reviewing and utilizing unencumbered balances, this adjustment did not require any additional appropriation of funds.

Actual Total Expenditures were significantly under budget for the year. Overall variance with final budget for all governmental funds was a positive \$1,478,734, including \$1,109,410 positive variance in the General fund. A major component in the General Fund positive variance was higher than forecast revenues of \$770,095, primarily from higher tax receipts, Fines and Forfeitures, and a natural gas lease payment. All General Fund departments except one had positive variances.

## **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of September 30, 2010 amount to \$65,444,586 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total decrease in the City's capital asset investment for the current fiscal year was \$446,356. This was primarily from the reduction in Construction in Progress and retirement of assets.

Major capital asset events during the current fiscal year included the following:

- Increase of \$1,019,504 in Construction in Progress for new Fire/EMS station.
- Increase of \$579,358 in infrastructure assets.
- Depreciation expense of \$2,209,397

Additional information on the City's capital assets can be found in Note 3 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$22,199,388. Of this amount, \$19,265,000 comprises debt backed by the full faith and credit of the government. The City has \$1,165,000 in Revenue Bond debt, which is secured by sales tax revenues of the Parks Development Corporation. There is a balance of \$188,911 for Deferred Loss on Refunding, which remains to be amortized.

Other debt includes \$813,476 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair and \$2,309,823 in Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's total debt decreased by \$2,499,770, which includes \$3,043,977 in regularly scheduled debt service payments offset by a \$544,207 increase in compensated balances.

Additional information on the City's long-term debt can be found in Note 4.

### **Economic Factors and Next Year's Budgets and Rates**

The City of Watauga has plans to maintain the property tax rate at \$0.580763 per \$100 valuation, which has been the rate for the past seven years. We forecast a slight decline in property tax revenues and slightly higher sales tax collections for the next year. Development related revenues are still low due to a lack of undeveloped property, and the economic environment does not support commercial business development or residential construction.

Expenses for the general fund are expected to be about \$481,600 less than the prior year, primarily due to lower transfers to Capital Projects.

Water/Sewer fund operating revenues are expected to be about \$324,000 less than in FY2010 due to lower sales and interest earnings. This fund will continue to provide quality water distribution and effective sewer collection services. Funds will be transferred to the construction fund to complete more infrastructure improvements and they will also be transferred to the general fund to repay for assets that were expensed by the governmental funds.

### **Request for Information**

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Dr. Scott Neils, CPA, CMA, CGFO, Director of Finance, at 7105 Whitley Road, Watauga, Texas 76148, call (817) 514-5821, or e-mail [sneils@cowtx.org](mailto:sneils@cowtx.org), or Sandra Morgan, CGFO, Assistant Finance Director, by phone at 817-514-5822, or by email at [smorgan@cowtx.org](mailto:smorgan@cowtx.org).

City of Watauga – Management’s Discussion and Analysis  
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**Table 1**

**Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Current and Other Assets	\$16,255,772	\$15,689,116	\$5,967,832	\$6,734,082	\$22,223,604	\$22,423,198
Capital Assets	41,405,274	41,261,458	24,039,312	24,629,484	65,444,586	65,890,942
<b>Total Assets</b>	<b>57,661,046</b>	56,950,574	<b>30,007,144</b>	31,363,566	<b>87,668,190</b>	88,314,140
Long-Term Liabilities						
Outstanding	13,229,077	16,206,532	5,986,060	8,193,930	19,215,137	24,400,462
Other Liabilities	3,215,390	1,040,471	2,565,596	1,715,529	5,780,986	2,756,000
<b>Total Liabilities</b>	<b>16,444,467</b>	17,247,003	<b>8,551,656</b>	9,909,459	<b>24,996,123</b>	27,156,462
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	32,581,629	30,732,214	17,035,479	16,389,484	49,617,108	47,121,698
Restricted	489,133	580,384	36,788	32,326	525,921	612,710
Unrestricted	8,145,817	8,390,973	4,383,221	5,072,768	12,529,038	13,463,741
<b>Total Net Assets</b>	<b>\$41,216,579</b>	\$39,703,571	<b>\$21,455,488</b>	\$21,494,578	<b>\$62,672,067</b>	\$61,198,149

City of Watauga – Management’s Discussion and Analysis  
Appendices

**Table 2**

**Statement of Change in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
<b>Revenues</b>						
<b>Program Revenues</b>						
Fees, Fines and Charges for Services	\$2,148,105	\$2,080,890	\$7,402,257	\$7,409,263	\$9,550,362	\$9,490,153
Operating Grant and Contributions	62,761	64,747			62,761	64,747
Capital Grants and Contributions	161,482				161,482	0
<b>General Revenues</b>					0	0
Property Taxes	5,947,914	5,999,752			5,947,914	5,999,752
Sales Taxes	5,144,963	4,951,896			5,144,963	4,951,896
Franchise Taxes	1,039,844	1,033,043			1,039,844	1,033,043
Payment in Lieu of Taxes	360,928	371,890			360,928	371,890
Penalties and Interest	44,805	44,683			44,805	44,683
Interest on Investments	69,855	280,729	24,115	110,910	93,970	391,639
Gain on Sales of Assets	0	(6,747)			0	(6,747)
Miscellaneous	0				0	0
<b>Total Revenues</b>	<b>14,980,657</b>	<b>14,820,883</b>	<b>7,426,372</b>	<b>7,520,173</b>	<b>22,407,029</b>	<b>22,341,056</b>
<b>Expenses</b>						
General Government	5,051,415	4,821,004			5,051,415	4,821,004
Public Safety	4,431,774	4,209,793			4,431,774	4,209,793
Culture and Recreation	2,136,811	2,108,473			2,136,811	2,108,473
Public Works	1,648,292	1,993,867			1,648,292	1,993,867
Interest on Long-Term Debt	560,285	679,483	304,219	346,104	864,504	1,025,587
Water and Sewer			5,956,625	5,540,708	5,956,625	5,540,708
Drainage Utility			843,690	901,079	843,690	901,079
<b>Total Expenses</b>	<b>13,828,577</b>	<b>13,812,620</b>	<b>7,104,534</b>	<b>6,787,891</b>	<b>20,933,111</b>	<b>20,600,511</b>
Increase in Net Assets Before Transfers	1,152,080	1,008,263	321,838	732,282	1,473,918	1,740,545
Transfers	360,928	34,662	(360,928)	(34,662)	0	0
Increase (Decrease) in Net Assets	1,513,008	1,042,925	(39,090)	697,620	1,473,918	1,740,545
Net Assets 9/30 Prior Year	39,703,571	38,660,646	21,494,578	20,796,958	61,198,149	59,457,604
Prior Period Adjustment					0	0
<b>Net Assets 9/30 Current Year</b>	<b>\$41,216,579</b>	<b>\$39,703,571</b>	<b>\$21,455,488</b>	<b>\$21,494,578</b>	<b>\$62,672,067</b>	<b>\$61,198,149</b>

City of Watauga – Management’s Discussion and Analysis  
Appendices

**Table 3**

**Statement of Change in Net Assets – Change from Prior Year**

	Governmental Activities		Business-Type Activities		Total	
	\$	%	\$	%	\$	%
<b>Revenues</b>						
<b>Program Revenues</b>						
Fees, Fines and Charges for Services	\$67,215	3.2%	(\$7,006)	-0.1%	\$60,209	0.6%
Operating Grant and Contributions	(\$1,986)	-3.1%	\$0		(\$1,986)	-3.1%
Capital Grant and Contributions	\$161,482		\$0		\$161,482	
<b>General Revenues</b>						
Property Taxes	(\$51,838)	-0.9%	\$0		(\$51,838)	-0.9%
Sales Taxes	\$193,067	3.9%	\$0		\$193,067	3.9%
Franchise Taxes	\$6,801	0.7%	\$0		\$6,801	0.7%
Payment in Lieu of Taxes	(\$10,962)	-2.9%	\$0		(\$10,962)	-2.9%
Penalties and Interest	\$122	0.3%	\$0		\$122	0.3%
Interest on Investments	(\$210,874)	-75.1%	(\$86,795)	-78.3%	(\$297,669)	-76.0%
Gain on Sales of Assets	\$6,747	100.0%	\$0		\$6,747	100.0%
Miscellaneous	\$0		\$0		\$0	
<b>Total Revenues</b>	\$159,774	1.1%	(\$93,801)	-1.2%	\$65,973	0.3%
<b>Expenses</b>						
General Government	\$230,411	4.8%	\$0		\$230,411	4.8%
Public Safety	\$221,981	5.3%	\$0		\$221,981	5.3%
Culture and Recreation	\$28,338	1.3%	\$0		\$28,338	1.3%
Public Works	(\$345,575)	-17.3%	\$0		(\$345,575)	-17.3%
Interest on Long-Term Debt	(\$119,198)	-17.5%	(\$41,885)	-12.1%	(\$161,083)	-15.7%
Water and Sewer	\$0		\$415,917	7.5%	\$415,917	7.5%
Drainage Utility	\$0		(\$57,389)	-6.4%	(\$57,389)	-6.4%
<b>Total Expenses</b>	\$15,957	0.1%	\$316,643	4.7%	\$332,600	1.6%
Increase (Decrease) in Net Assets Before Transfers	\$143,817	14.3%	(\$410,444)	-56.0%	(\$266,627)	-15.3%
Transfers	\$326,266	941.3%	(\$326,266)	941.3%	\$0	
Increase (Decrease) in Net Assets	\$470,083	45.1%	(\$736,710)	105.6%	(\$266,627)	-15.3%
Net Assets 9/30 Prior Year	\$1,042,925	2.7%	\$697,620	3.4%	\$1,740,545	2.9%
Prior Period Adjustment	\$0		\$0		\$0	
<b>Change in Net Assets 9/30 Current Year</b>	\$1,513,008	3.8%	(\$39,090)	-0.2%	\$1,473,918	2.4%

City of Watauga – Management’s Discussion and Analysis  
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**Table 4**

**Statement of City of Watauga’s Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
<b>NET ASSETS</b>						
Land	\$19,019,600	\$19,019,600	\$91,000	\$91,000	\$19,110,600	\$19,110,600
Buildings and Improvements	12,800,580	13,101,904	2,543,079	2,569,386	15,343,659	15,671,290
Improvements Other than Buildings	97,639	98,799			97,639	98,799
Equipment	1,489,581	1,786,068	376,154	428,601	1,865,735	2,214,669
Drainage Improvements			9,945,896	10,284,212	9,945,896	10,284,212
Infrastructure	6,934,130	7,210,847			6,934,130	7,210,847
Waterworks and Sanitary Sewer System			11,083,183	11,114,808	11,083,183	11,114,808
Construction in Progress	1,063,744	44,240		141,477	1,063,744	185,717
<b>Total</b>	<b>\$41,405,274</b>	<b>\$41,261,458</b>	<b>\$24,039,312</b>	<b>\$24,629,484</b>	<b>\$65,444,586</b>	<b>\$65,890,942</b>

**Table 5**

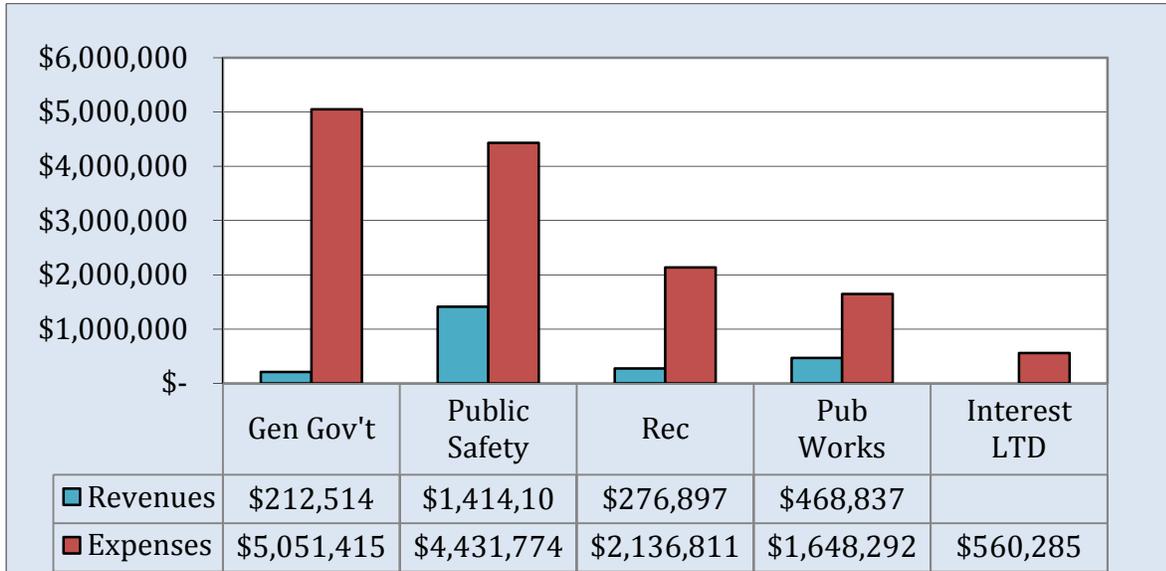
**Statement of City of Watauga’s Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
General Obligation Bonds	\$3,965,000	\$4,365,000	\$6,815,000	\$7,790,000	\$10,780,000	\$12,155,000
Certificates of Obligation	7,090,000	8,000,000	230,000	450,000	7,320,000	8,450,000
Revenue Bonds	1,165,000	1,340,000			1,165,000	1,340,000
Notes Payable	813,476	857,731			813,476	857,731
Capital Lease Obligations					0	0
Compensated Absences	2,015,034	1,815,270	294,789		2,309,823	1,815,270
Deferred loss on Refunding	(147,744)	(171,469)	(41,167)	(46,070)	(188,911)	(217,539)
<b>Total</b>	<b>\$14,900,766</b>	<b>\$16,206,532</b>	<b>\$7,298,622</b>	<b>\$8,193,930</b>	<b>\$22,199,388</b>	<b>\$24,400,462</b>

City of Watauga – Management’s Discussion and Analysis  
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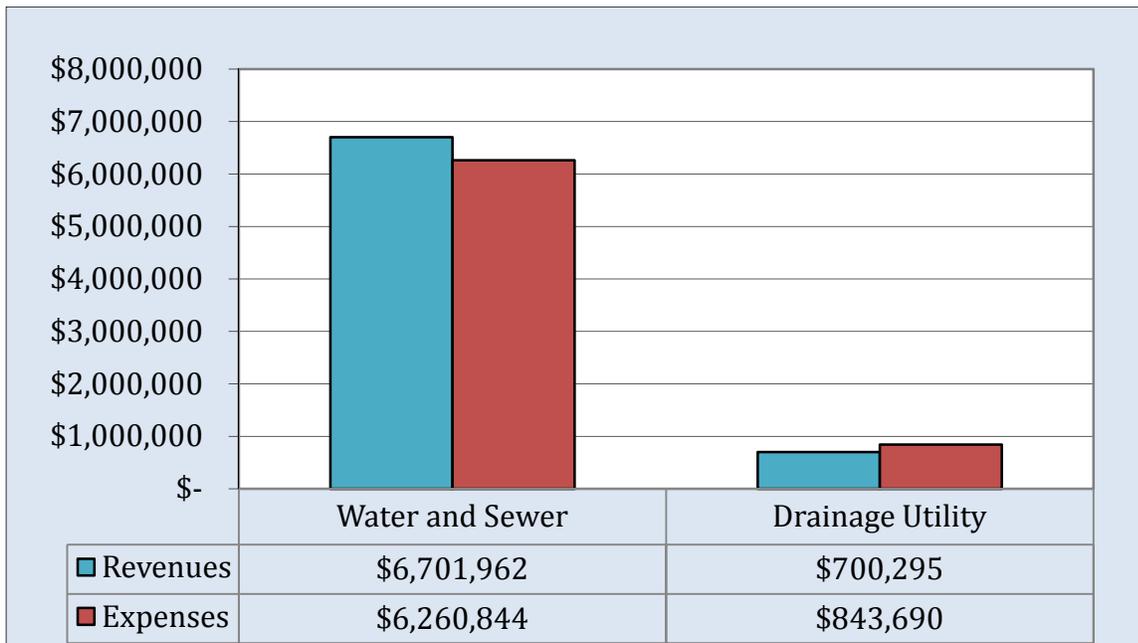
**Figure 1**

**Revenues and Program Expenses – Governmental Activities**



**Figure 2**

**Revenues and Program Expenses – Business-Type Activities**



**CITY OF WATAUGA, TEXAS**  
**GOVERNMENT WIDE – STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,103,154	\$ 2,740,404	\$ 9,843,558
Investments	7,359,677	2,181,255	9,540,932
Receivables (net of allowances for uncollectibles)	1,579,956	902,623	2,482,579
Internal balances	(109,037)	109,037	-
Prepays and deposits	6,890	-	6,890
Inventory of supplies	22,139	3,085	25,224
Restricted cash and cash equivalents	-	36,788	36,788
Deferred charges	183,956	103,677	287,633
Capital assets			
Land	19,019,600	91,000	19,110,600
Buildings and improvements	12,800,580	2,543,079	15,343,659
Improvements other than buildings	97,639	-	97,639
Equipment	1,598,618	267,117	1,865,735
Drainage improvements	-	9,945,896	9,945,896
Infrastructure	6,934,130	-	6,934,130
Waterworks and sanitary sewer system	-	11,083,183	11,083,183
Construction in progress	1,063,744	-	1,063,744
	<u>41,514,311</u>	<u>23,930,275</u>	<u>65,444,586</u>
Total capital assets			
	<u>57,661,046</u>	<u>30,007,144</u>	<u>87,668,190</u>
<b>LIABILITIES</b>			
Accounts payable	744,064	330,939	1,075,003
Accrued liabilities	721,481	78,193	799,674
Deposits	40,391	819,194	859,585
Payable from restricted assets			
Accrued interest	-	24,708	24,708
Unearned revenue	37,765	-	37,765
Long-term debt			
Due within one year	1,671,689	1,312,562	2,984,251
Due in more than one year	13,229,077	5,986,060	19,215,137
	<u>16,444,467</u>	<u>8,551,656</u>	<u>24,996,123</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	32,581,629	17,035,479	49,617,108
Restricted for debt service	489,133	36,788	525,921
Unrestricted	8,145,817	4,383,221	12,529,038
	<u>\$ 41,216,579</u>	<u>\$ 21,455,488</u>	<u>\$ 62,672,067</u>
Total net assets			

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS  
GOVERNMENT WIDE – STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010**

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business - Type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 5,051,415	\$ 212,514	\$ -	\$ -	\$ (4,838,901)	\$ -	\$ (4,838,901)
Public safety	4,431,774	1,330,535	-	83,565	(3,017,674)	-	(3,017,674)
Culture and recreation	2,136,811	214,136	62,761	-	(1,859,914)	-	(1,859,914)
Public works	1,648,292	390,920	-	77,917	(1,179,455)	-	(1,179,455)
Interest on long-term debt	560,285	-	-	-	(560,285)	-	(560,285)
Total governmental activities	<u>13,828,577</u>	<u>2,148,105</u>	<u>62,761</u>	<u>161,482</u>	<u>(11,456,229)</u>	<u>-</u>	<u>(11,456,229)</u>
Business-type activities							
Water and sewer	6,242,244	6,683,362	-	-	-	441,118	441,118
Drainage utility	843,690	700,295	-	-	-	(143,395)	(143,395)
Total business-type activities	<u>7,085,934</u>	<u>7,383,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,723</u>	<u>297,723</u>
Total primary government	<u>\$ 20,914,511</u>	<u>\$ 9,531,762</u>	<u>\$ 62,761</u>	<u>\$ 161,482</u>	<u>(11,456,229)</u>	<u>297,723</u>	<u>(11,158,506)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes, levied for general purposes					5,947,914	-	5,947,914
Sales taxes					5,144,963	-	5,144,963
Franchise taxes					1,039,843	-	1,039,843
Payment in lieu of taxes					360,928	-	360,928
Penalties and Interest					44,805	-	44,805
Interest on Investments					69,856	24,115	93,971
Gain on sale of assets					-	-	-
Transfers					360,928	(360,928)	-
Total general revenues and transfers					<u>12,969,237</u>	<u>(336,813)</u>	<u>12,632,424</u>
Change in net assets					1,513,008	(39,090)	1,473,918
<b>NET ASSETS, beginning of year</b>					<u>39,703,571</u>	<u>21,494,578</u>	<u>61,198,149</u>
<b>NET ASSETS, end of year</b>					<u>\$ 41,216,579</u>	<u>\$ 21,455,488</u>	<u>\$ 62,672,067</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

<b>ASSETS</b>	<b>General Fund</b>	<b>G. O. Debt Service Fund</b>	<b>G. O. Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 2,971,784	\$ 132,892	\$ 1,336,295	\$ 2,487,204	\$ 6,928,175
Investments	3,569,157	182,232	2,058,930	1,374,152	7,184,471
Receivables					
Property taxes	100,563	44,024	-	-	144,587
Accounts receivable	1,004,550	-	-	430,819	1,435,369
Due from other funds	218	-	-	-	218
Prepays and deposits	5,731	-	-	1,159	6,890
Inventory of supplies	22,139	-	-	-	22,139
	<u>7,674,142</u>	<u>359,148</u>	<u>3,395,225</u>	<u>4,293,334</u>	<u>15,721,849</u>
Total assets	<u>\$ 7,674,142</u>	<u>\$ 359,148</u>	<u>\$ 3,395,225</u>	<u>\$ 4,293,334</u>	<u>\$ 15,721,849</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable	\$ 324,639	\$ -	\$ 392,236	\$ 27,189	\$ 744,064
Accrued liabilities	528,766	-	33,854	45,856	608,476
Due to other funds	-	-	-	218	218
Deposits	40,391	-	-	-	40,391
Deferred revenue	412,615	44,024	-	-	456,639
	<u>1,306,411</u>	<u>44,024</u>	<u>426,090</u>	<u>73,263</u>	<u>1,849,788</u>
Total liabilities	<u>1,306,411</u>	<u>44,024</u>	<u>426,090</u>	<u>73,263</u>	<u>1,849,788</u>
Fund Balances					
Reserved for					
Prepays and deposits	5,731	-	-	1,159	6,890
Inventory of supplies	22,139	-	-	-	22,139
Debt service	-	315,124	-	259,874	574,998
Unreserved					
Designated, reported in capital projects funds	-	-	2,969,135	1,037,408	4,006,543
Undesignated, reported in General fund	6,339,861	-	-	-	6,339,861
Special revenue funds	-	-	-	2,921,630	2,921,630
	<u>6,367,731</u>	<u>315,124</u>	<u>2,969,135</u>	<u>4,220,071</u>	<u>13,872,061</u>
Total fund balances	<u>6,367,731</u>	<u>315,124</u>	<u>2,969,135</u>	<u>4,220,071</u>	<u>13,872,061</u>
Total liabilities and fund balances	<u>\$ 7,674,142</u>	<u>\$ 359,148</u>	<u>\$ 3,395,225</u>	<u>\$ 4,293,334</u>	<u>\$ 15,721,849</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

Total fund balances - governmental funds \$ 13,872,061

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 the governmental funds balance sheet. 41,405,274

Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements. 183,956

Interest payable on long term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (113,005)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. The net assets of the internal service fund is net of the amount allocated to business-type activities, deferred charges, capital assets and long term liabilities. 350,185

Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements. 418,874

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. (14,900,766)

Net assets of governmental activities \$ 41,216,579

**CITY OF WATAUGA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	G. O. Debt Service Fund	G. O. Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 8,059,234	\$ 1,667,967	\$ -	\$ 2,462,183	\$ 12,189,384
Licenses and permits	218,013	-	-	-	218,013
Charges for services	699,238	-	-	-	699,238
Fines and forfeitures	884,038	-	-	-	884,038
Interest income	35,437	2,582	17,625	14,212	69,856
Intergovernmental	360,928	-	-	-	360,928
Miscellaneous	344,362	-	77,917	122,579	544,858
	<u>10,601,250</u>	<u>1,670,549</u>	<u>95,542</u>	<u>2,598,974</u>	<u>14,966,315</u>
<b>Expenditures</b>					
Current					
General government	4,822,147	-	-	-	4,822,147
Public safety	3,032,490	-	-	1,063,901	4,096,391
Culture and recreation	1,343,173	-	-	643,012	1,986,185
Public works	741,395	-	-	-	741,395
Capital outlay	-	-	1,593,427	1,000	1,594,427
Debt service					
Principal	-	1,310,000	44,255	175,000	1,529,255
Interest and fiscal charges	-	471,331	38,597	40,860	550,788
	<u>9,939,205</u>	<u>1,781,331</u>	<u>1,676,279</u>	<u>1,923,773</u>	<u>15,320,588</u>
Excess (deficiency) of revenues over expenditures	662,045	(110,782)	(1,580,737)	675,201	(354,273)
Other financing sources (uses)					
Transfers in	436,428	-	1,420,000	518,862	2,375,290
Transfers out	(1,421,400)	-	-	(592,962)	(2,014,362)
	<u>(984,972)</u>	<u>-</u>	<u>1,420,000</u>	<u>(74,100)</u>	<u>360,928</u>
Net change in fund balances	(322,927)	(110,782)	(160,737)	601,101	6,655
<b>Fund balances, beginning of year</b>	<u>6,690,658</u>	<u>425,906</u>	<u>3,129,872</u>	<u>3,618,970</u>	<u>13,865,406</u>
<b>Fund balances, end of year</b>	<u>\$ 6,367,731</u>	<u>\$ 315,124</u>	<u>\$ 2,969,135</u>	<u>\$ 4,220,071</u>	<u>\$ 13,872,061</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds	\$	6,655
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		1,697,057
<p>Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.</p>		(1,553,241)
<p>The issuance of long term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		1,479,156
<p>Current year changes in long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.</p>		(199,764)
<p>Current year changes in accrued interest payable do not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.</p>		40,602
<p>Certain unearned revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.</p>		14,342
<p>Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net revenue of the internal service funds is reported with business-type activities.</p>		28,201
Change in net assets of governmental activities	\$	<u>1,513,008</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

**CITY OF WATAUGA, TEXAS**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

(1 of 2)

<u>ASSETS</u>	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,206,303	\$ 534,101	\$ 2,740,404	\$ 174,979
Investments	1,667,566	513,689	2,181,255	175,206
Accounts receivable and unbilled revenue less allowance for uncollectibles of \$482,818 for water and sewer, and \$14,884 for drainage utility	871,477	31,146	902,623	-
Other assets	2,773	312	3,085	-
Restricted bond interest and sinking cash and cash equivalents	36,788	-	36,788	-
Total current assets	4,784,907	1,079,248	5,864,155	350,185
<b>Noncurrent assets</b>				
Bond issuance cost	432,058	-	432,058	-
Less accumulated amortization	(328,381)	-	(328,381)	-
Net bond issuance costs	103,677	-	103,677	-
<b>Utility plant and equipment in service, at cost</b>				
Land	91,000	-	91,000	-
Buildings	3,198,812	34,160	3,232,972	154,384
Equipment	931,821	254,905	1,186,726	2,206,546
Street improvements	-	70,991	70,991	-
Drainage improvements	-	16,672,519	16,672,519	-
Waterworks and sanitary sewer system	13,675,208	-	13,675,208	-
	17,896,841	17,032,575	34,929,416	2,360,930
Less accumulated depreciation	(3,989,101)	(7,010,040)	(10,999,141)	(1,908,026)
Net utility plant and equipment in service	13,907,740	10,022,535	23,930,275	452,904
Total noncurrent assets	14,011,417	10,022,535	24,033,952	452,904
<b>TOTAL ASSETS</b>	<b>\$ 18,796,324</b>	<b>\$ 11,101,783</b>	<b>\$ 29,898,107</b>	<b>\$ 803,089</b>

The Notes to the Basic Financial Statements  
are an integral part of this statement.

**CITY OF WATAUGA, TEXAS  
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS  
SEPTEMBER 30, 2010**

(2 of 2)

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
<b>LIABILITIES</b>				
Current liabilities				
Payable from current assets				
Accounts payable	\$ 323,323	\$ 7,616	\$ 330,939	\$ -
Accrued liabilities	59,230	18,963	78,193	-
Current portion of compensated absences	56,577	6,083	62,660	-
Current portion of bonds payable	1,249,902	-	1,249,902	-
Deposits	819,194	-	819,194	-
Payable from restricted assets				
Accrued interest	24,708	-	24,708	-
Total current liabilities	2,532,934	32,662	2,565,596	-
Noncurrent liabilities				
Bonds payable	5,753,931	-	5,753,931	-
Compensated absences	169,523	62,606	232,129	-
Total noncurrent liabilities	5,923,454	62,606	5,986,060	-
Total liabilities	8,456,388	95,268	8,551,656	-
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,903,907	10,022,535	16,926,442	452,904
Restricted for debt service	36,788	-	36,788	-
Unrestricted	3,399,241	983,980	4,383,221	350,185
<b>TOTAL NET ASSETS</b>	<b>\$ 10,339,936</b>	<b>\$ 11,006,515</b>	21,346,451	<b>\$ 803,089</b>
Reconciliation to government-wide statement of net assets				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			109,037	
Net assets of business-type activities			<u>\$ 21,455,488</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Funds</u>
<b>Operating revenues</b>				
Water service	\$ 3,731,225	\$ -	\$ 3,731,225	\$ -
Sewer service	2,581,752	-	2,581,752	-
Drainage fees	-	700,295	700,295	-
Service fees and miscellaneous	370,385	-	370,385	26,500
Total operating revenues	6,683,362	700,295	7,383,657	26,500
<b>Operating expenses</b>				
General and administrative	526,840	1,345	528,185	-
Sewer distribution	2,008,150	-	2,008,150	-
Water distribution	2,364,258	-	2,364,258	-
Personnel services	-	373,682	373,682	-
Nondepartmental	497,330	34,040	531,370	-
Billing and collections	72,366	-	72,366	-
Supplies	-	38,122	38,122	-
Repairs and maintenance	128,050	46,330	174,380	-
Contractual services	-	4,202	4,202	-
Depreciation and amortization	328,478	345,969	674,447	136,249
Total operating expenses	5,925,472	843,690	6,769,162	136,249
Operating income (loss)	757,890	(143,395)	614,495	(109,749)
<b>Nonoperating revenues (expenses)</b>				
Investment income	19,469	4,646	24,115	1,701
Interest expense	(304,219)	-	(304,219)	-
Total nonoperating revenues (expenses), net	(284,750)	4,646	(280,104)	1,701
Income (loss) before transfers	473,140	(138,749)	334,391	(108,048)
Transfers out	(326,228)	(34,700)	(360,928)	-
Change in net assets	146,912	(173,449)	(26,537)	(108,048)
<b>Net assets, beginning of year</b>	<u>10,193,024</u>	<u>11,179,964</u>		<u>911,137</u>
<b>Net assets, end of year</b>	<u>\$ 10,339,936</u>	<u>\$ 11,006,515</u>		<u>\$ 803,089</u>

Reconciliation to government-wide statement of net assets

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(12,553)</u>
Change in net assets of business-type activities	<u>\$ (39,090)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Business Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
<b>OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 6,562,691	\$ 702,868	\$ 7,265,559	\$ 26,500
Cash payments to suppliers for goods and services	(4,453,308)	(125,389)	(4,578,697)	-
Cash payments to employees for services	(1,259,452)	(376,809)	(1,636,261)	-
Net cash provided by operating activities	849,931	200,670	1,050,601	26,500
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer out	(326,228)	(34,700)	(360,928)	-
Net cash used in noncapital financing activities	(326,228)	(34,700)	(360,928)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital expenditures	(34,387)	(31,597)	(65,984)	-
Repayment of debt	(1,195,000)	-	(1,195,000)	-
Interest paid on debt	(308,513)	-	(308,513)	-
Net cash used in capital and related financing activities	(1,537,900)	(31,597)	(1,569,497)	-
<b>INVESTING ACTIVITIES</b>				
Investment income	19,469	4,646	24,115	1,701
Purchase of investments	1,020,381	47,398	1,067,779	39,516
Net cash provided by investing activities	1,039,850	52,044	1,091,894	41,217
<b>Net change in cash and cash equivalents</b>	25,653	186,417	212,070	67,717
<b>Cash and cash equivalents, beginning of year</b>	2,217,438	347,684	2,565,122	107,262
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,243,091</u>	<u>\$ 534,101</u>	<u>\$ 2,777,192</u>	<u>\$ 174,979</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF WATAUGA, TEXAS**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**  
**(CONTINUED)**

	Business Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
Reconciliation of operating income (loss)				
to net cash provided by operating activities				
Operating income (loss)	\$ 757,890	\$ (143,395)	\$ 614,495	\$ (109,749)
Adjustments to reconcile operating income (loss)				
to net cash provided by operating activities				
Depreciation and amortization	328,478	345,969	674,447	136,249
Change in assets and liabilities				
Accounts receivable and unbilled revenue	(144,546)	2,573	(141,973)	-
Prepays and deposits	22,334	4,239	26,573	-
Accounts payable	(138,015)	(2,286)	(140,301)	-
Accrued liabilities	10,533	5,459	15,992	-
Compensated absences	7,982	(11,889)	(3,907)	-
Deposits	5,275	-	5,275	-
<b>Net cash provided by operating activities</b>	<b>\$ 849,931</b>	<b>\$ 200,670</b>	<b>\$ 1,050,601</b>	<b>\$ 26,500</b>
Reconciliation of cash to balance sheet				
Cash- current	\$ 2,206,303	\$ 534,101	\$ 2,740,404	
Cash- bond interest and sinking	36,788	-	36,788	
<b>Cash and cash equivalents</b>	<b>\$ 2,243,091</b>	<b>\$ 534,101</b>	<b>\$ 2,777,192</b>	

The Notes to the Basic Financial Statements  
are an integral part of this statement.

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005 and November 6, 2007. The City operates under a Mayor-Council-Manager form of government.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

**Financial Reporting Entity**

The basic financial statements of the City include the primary government organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Financial Reporting Entity – Continued**

The following entities were found to be component units of the City and are included in the basic financial statements:

The Watauga Parks Development Corporation's (WPDC) sole purpose is to act on behalf of the City in the accumulation and use of resources to build and improve City parks. The WPDC's governing board is appointed by the City Council. The WPDC is composed of three funds: a special revenue fund, a capital projects fund and a debt service fund.

The Watauga Crime Control and Prevention District Fund's (WCCPD) sole purpose is to act on behalf of the City in the accumulation and use of resources to add law enforcement officers and purchase additional equipment and supplies for law enforcement purposes. The WCCPD is reported as a special revenue fund.

A blended presentation has been used to report the financial information of these component units. The financial information for the individual component units is available from the City.

**Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements, except for services provided and utilized between the funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

**Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

**General Fund**

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**General Obligation Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

**General Obligation Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. Financing is provided primarily by the sale of tax notes, general obligation and contractual obligation bonds.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

**Water and Sewer Fund**

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly, at least annually, and adjusted if necessary to ensure integrity of the funds.

**Drainage Utility Fund**

The Drainage Utility Fund is used to account for the user fees charged per residential and commercial unit to enhance drainage of properties within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance.

Additionally, the City reports the Internal Service Fund, which was established in 1997 for the purpose of replacing equipment. Departments are charged user fees to accumulate funds to be used in replacing existing equipment as needed.

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 a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus/Basis of Accounting – Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

**Deposits and Investments**

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Certificates of Deposit are reported at cost plus accrued interest. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion.

**Taxes**

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Taxes – Continued**

cities, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's current tax rate is \$0.580763 per \$100 of assessed valuation (\$0.580763 per \$100 last year) and assessed valuation is approximately 100% of estimated value. The current rate has been in effect since fiscal year 2004.

**Prepaid Items**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

**Inventories**

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out method). Inventories consist primarily of expendable supplies.

**Interfund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capital Assets – Continued**

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	50 years
Improvements other than buildings	10 years
Equipment	3 - 10 years
Drainage Improvements	50 years
Infrastructure	9 -50 years
Waterworks and Sanitary Sewer System	60 years

**Compensated Absences**

City employees are granted vacation, sick and other compensated time pay in varying amounts. In the event of termination, an employee is reimbursed for accumulated unused vacation days up to a maximum of 60 days if the employee has completed their probationary period of six months for non-civil service employees or at least one year for civil service employees. Other compensated time is reimbursed in full upon termination without regard to length of service. All employees are reimbursed up to 100% of 90 days for accumulated unused sick leave. The total liability for compensated absences at September 30, 2010 was \$2,309,823, including \$294,789 of proprietary fund balances which are included with accrued liabilities on the proprietary fund balance sheet.

The estimated vacation liability expected to be satisfied with available financial resources is included in accrued salaries and wages in the General Fund.

**Nature and Scope of Reservations and Designations of Fund Equity**

Fund balance available for appropriation is classified as unreserved, undesignated. The City classifies remaining fund balances as follows:

Reserves – used to denote that portion of fund equity which is not appropriate for expenditures or is legally segregated for specific future use.

Reserved for debt service represents that portion of fund equity legally restricted to the retirement of General Obligation bond principal and interest.

Reserve for prepaids and inventories are reserved as the assets are not available for appropriate expenditures.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Nature and Scope of Reservations and Designations of Fund Equity – Continued**

Designations – used to denote that portion of fund equity for which council has established for a future use.

Designated, reported in capital projects funds represents amounts restricted by council for use in the purchase or construction of capital projects. Expenditures must be council approved.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

**NOTE 2. DEPOSITS AND INVESTMENTS**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the City’s investment policy authorized the City to invest in the following investments as summarized in the following table:

<u>Authorized Investment Type</u>	<u>Final Stated Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Public funds investment pool	N/A	100%	None
Certificates of deposit	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
No-load money market mutual funds	5 years	50%	None
Repurchase agreements	5 years	50%	None
State of Texas securities	5 years	50%	None
U.S. agency obligations	5 years	50%	None
Commercial paper	5 years	10%	None

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED**

The act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Deposits and investments as of September 30, 2010 are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 14,462,831
Business-type Activities	<u>4,958,447</u>
	<u>\$ 19,421,278</u>

Deposits and investments as of September 30, 2010 consist of the following:

Deposits with financial institutions	\$ 1,210,611
Investments	<u>18,210,667</u>
	<u>\$ 19,421,278</u>

For the purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 365 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED**

**Disclosures Relating to Interest Rate Risk – Continued**

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

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 3,248,464	33 days
Texas Term	442,313	Daily
LOGIC	4,943,675	40 days
Frost AIM Money Market	94,212	Daily
Frost CDs	9,482,003	415 days
	<u>\$ 18,210,667</u>	

As of September 30, 2010, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy or debt agreements and the actual rating as of year end for each investment type.

Investment Type	Amount	Minimum Rating Required	Actual Investment Rating
TexPool	\$ 3,248,464	AAA	AAAm
Texas Term	442,313	AAA	AAAf
LOGIC	4,943,675	AAA	AAA
Frost AIM Money Market	94,212	N/A	N/A
Frost CDs	9,482,003	N/A	N/A

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2010, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance of \$250,000 at all times.

At September 30, 2010, the carrying amount of the City's cash on hand and deposits was \$1,210,611 and the bank balance was \$659,413. Of the bank balance, \$250,000 was covered by federal depository insurance while the remaining \$409,413 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

The City is a voluntary participant in the TexPool, LOGIC and Texas Term external investment pools.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

LOGIC is governed by a six member board and is an AAA-rated investment program tailored to the investment needs of local governments within the state of Texas. LOGIC assists governments across Texas making the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED**

Texas Term is 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. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares.

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance September 30, 2009	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2010
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 19,019,600	\$ -	\$ -	\$ 19,019,600
Construction in progress	44,240	1,019,504	-	1,063,744
Total capital assets not being depreciated	<u>19,063,840</u>	<u>1,019,504</u>	<u>-</u>	<u>20,083,344</u>
Capital assets being depreciated				
Buildings and improvements	15,060,322	-	-	15,060,322
Improvements other than building	100,994	-	-	100,994
Equipment	7,314,786	98,195	(54,382)	7,358,599
Infrastructure	<u>22,583,944</u>	<u>579,358</u>	<u>-</u>	<u>23,163,302</u>
Total capital assets being depreciated	<u>45,060,046</u>	<u>677,553</u>	<u>(54,382)</u>	<u>45,683,217</u>
Less accumulated depreciation				
Buildings and improvements	1,958,418	301,324	-	2,259,742
Improvements other than building	2,195	1,160	-	3,355
Equipment	5,528,718	394,682	(54,382)	5,869,018
Infrastructure	<u>15,373,097</u>	<u>856,075</u>	<u>-</u>	<u>16,229,172</u>
Total accumulated depreciation	<u>22,862,428</u>	<u>1,553,241</u>	<u>(54,382)</u>	<u>24,361,287</u>
Total capital assets being depreciated, net	<u>22,197,618</u>	<u>(875,688)</u>	<u>-</u>	<u>21,321,930</u>
Governmental activities capital assets, net	<u>\$ 41,261,458</u>	<u>\$ 143,816</u>	<u>\$ -</u>	<u>\$ 41,405,274</u>

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3. CAPITAL ASSETS – CONTINUED**

	Balance September 30, 2009	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2010
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 91,000	\$ -	\$ -	\$ 91,000
Construction in progress	141,477	-	(141,477)	-
Total capital assets not being depreciated	<u>232,477</u>	<u>-</u>	<u>(141,477)</u>	<u>91,000</u>
Capital assets being depreciated				
Buildings and improvements	3,201,375	31,597	-	3,232,972
Equipment	1,312,265	-	-	1,312,265
Street and drainage improvements	16,743,510	-	-	16,743,510
Waterworks and sewer system	<u>13,499,344</u>	<u>34,387</u>	<u>141,477</u>	<u>13,675,208</u>
Total capital assets being depreciated	<u>34,756,494</u>	<u>65,984</u>	<u>141,477</u>	<u>34,963,955</u>
Less accumulated depreciation:				
Buildings and improvements	631,989	57,904	-	689,893
Equipment	883,664	52,447	-	936,111
Drainage improvements	6,459,298	338,316	-	6,797,614
Waterworks and sewer system	<u>2,384,536</u>	<u>207,489</u>	<u>-</u>	<u>2,592,025</u>
Total accumulated depreciation	<u>10,359,487</u>	<u>656,156</u>	<u>-</u>	<u>11,015,643</u>
Total capital assets being depreciated, net	<u>24,397,007</u>	<u>(590,172)</u>	<u>141,477</u>	<u>23,948,312</u>
Business-type activities capital assets, net	<u>\$ 24,629,484</u>	<u>\$ (590,172)</u>	<u>\$ -</u>	<u>\$ 24,039,312</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities		
General government		\$ 192,370
Public safety		287,037
Cultural and recreation		117,942
Public works		<u>955,892</u>
Total depreciation expense - Governmental Funds		<u>\$ 1,553,241</u>
Business-Type activities		
Water and sewer		\$ 297,634
Drainage		345,969
Internal Service Fund		<u>12,553</u>
Total depreciation expense - Business-Type Activities		<u>\$ 656,156</u>

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4. LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2010:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 4,365,000	\$ -	\$ (400,000)	\$ 3,965,000	\$ 425,000
Certificates of obligation	8,000,000	-	(910,000)	7,090,000	935,000
Sales tax revenue bonds	1,340,000	-	(175,000)	1,165,000	180,000
Deferred loss on refunding bonds	(171,469)	-	23,725	(147,744)	(23,725)
Note payable	857,731	-	(44,255)	813,476	46,246
Compensated absences	1,815,270	468,512	(268,748)	2,015,034	109,168
	<u>16,206,532</u>	<u>468,512</u>	<u>(1,774,278)</u>	<u>14,900,766</u>	<u>1,671,689</u>
<b>Business-Type Activities</b>					
General obligation bonds	7,790,000	-	(975,000)	6,815,000	1,015,000
Certificates of obligation	450,000	-	(220,000)	230,000	230,000
Deferred loss on refunding bonds	(46,070)	-	4,903	(41,167)	4,902
Compensated absences	298,696	75,695	(79,602)	294,789	62,660
	<u>8,492,626</u>	<u>75,695</u>	<u>(1,269,699)</u>	<u>7,298,622</u>	<u>1,312,562</u>
Total government-wide activities	<u>\$ 24,699,158</u>	<u>\$ 544,207</u>	<u>\$ (3,043,977)</u>	<u>\$ 22,199,388</u>	<u>\$ 2,984,251</u>

In prior years, the City issued \$7,005,000 in general obligation and sales tax refunding bonds to defease \$6,745,000 of general obligation and sales tax bonds then outstanding. Of the \$6,745,000 originally defeased, \$1,245,000 remain outstanding at September 30, 2010.

**General Obligation Bonds and Certificates of Obligation**

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

**Sales Tax Revenue Bonds**

Sales Tax Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4. LONG-TERM DEBT – CONTINUED**

Amounts payable at September 30, 2010 are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
\$2,000,000 Series 1998 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$60,000 to \$170,000 through February 1, 2018; interest at 4.25% to 6.25%.	\$ 1,110,000	\$ -
\$2,300,000 Series 2003 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$75,000 to \$300,000 through February 1, 2018; interest at 3.00% to 5.00%.	1,000,000	-
\$1,080,000 Series 2004 General Obligation Refunding Bonds due in annual installments of \$80,000 to \$195,000 through February 15, 2011; interest at 2.50%.	85,000	-
\$2,035,000 Series 2004 Watauga Park Development Corporation Sales Tax Revenue Refunding Bonds due in annual installments of \$30,000 to \$210,000 through February 15, 2011; interest at 1.50% to 3.55%.	1,165,000	-
\$5,000,000 Series 2005 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$70,000 to \$600,000 through February 1, 2023; interest at 3.875% to 4.375%.	2,940,000	-
\$2,855,000 Series 2006 General Obligation Refunding Bonds due in annual installments of \$20,000 to \$330,000 through April 1, 2020; interest at 3.730%.	2,770,000	-
\$3,400,000 Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$65,000 to \$255,000 through February 1, 2027; interest at 4.110%.	3,150,000	-
\$2,650,000 Series 2002 Certificates of Obligation due in annual installments of \$190,000 to \$420,000 through April 1, 2011; interest at 3.50% to 4.00%.	-	230,000
\$7,025,000 Series 2005 General Obligation Refunding Bonds, due in annual installments of \$40,000 to \$835,000 through March 1, 2014; interest at 3.00% to 5.00%.	-	4,935,000
\$2,430,000 Series 2008 General Obligation Refunding Bonds due in annual installments of \$270,000 to \$340,000 through March 1, 2016; interest at 3.12%.	-	1,880,000
<b>Total Bonds Payable</b>	<u>12,220,000</u>	<u>7,045,000</u>

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4. LONG-TERM DEBT – CONTINUED**

Amounts payable at September 30, 2010 are comprised of the following individual issues:

Note payable to City of North Richland Hills annual installments of \$19,785, including interest at 4.5%, maturing February 2021.	168,744	-
Note payable to City of North Richland Hills annual installments of \$63,068, including interest at 4.5%, maturing October 2024.	<u>644,732</u>	<u>-</u>
<b>Total Notes Payable</b>	<u>813,476</u>	<u>-</u>
<b>Toal Bonds and Notes Payable</b>	<u>\$ 13,033,476</u>	<u>\$ 7,045,000</u>

**Annual Requirements to Retire Debt Obligations**

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2010, are as follows:

**General Obligation Bonds**

	Governmental Activities		Business -Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 425,000	\$ 146,909	\$ 1,015,000	\$ 259,976	\$ 1,846,885
2012	355,000	131,999	1,060,000	219,128	1,766,127
2013	375,000	117,379	1,110,000	175,562	1,777,941
2014	390,000	101,981	1,150,000	133,112	1,775,093
2015	410,000	85,795	1,205,000	84,428	1,785,223
2016 - 2020	<u>2,010,000</u>	<u>178,972</u>	<u>1,275,000</u>	<u>28,679</u>	<u>3,492,651</u>
	<u>\$ 3,965,000</u>	<u>\$ 763,035</u>	<u>\$ 6,815,000</u>	<u>\$ 900,885</u>	<u>\$ 12,443,920</u>

**Certificates of Obligation**

	Governmental Activities		Business -Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 935,000	\$ 270,491	\$ 230,000	\$ 4,600	\$ 1,440,091
2012	540,000	241,666	-	-	781,666
2013	520,000	220,637	-	-	740,637
2014	500,000	200,119	-	-	700,119
2015	405,000	181,770	-	-	586,770
2016 - 2020	2,000,000	658,282	-	-	2,658,282
2021 - 2025	1,690,000	257,316	-	-	1,947,316
2026 - 2030	<u>500,000</u>	<u>20,756</u>	<u>-</u>	<u>-</u>	<u>520,756</u>
	<u>\$ 7,090,000</u>	<u>\$ 2,051,037</u>	<u>\$ 230,000</u>	<u>\$ 4,600</u>	<u>\$ 9,375,637</u>

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4. LONG-TERM DEBT – CONTINUED**

**Annual Requirements to Retire Debt Obligations – Continued**

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2010, are as follows:

**Revenue Bonds**

	Governmental Activities		Business -Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 180,000	\$ 35,355	\$ -	\$ -	\$ 215,355
2012	185,000	29,880	-	-	214,880
2013	190,000	24,136	-	-	214,136
2014	195,000	17,950	-	-	212,950
2015	205,000	11,094	-	-	216,094
2016 - 2020	210,000	3,728	-	-	213,728
	<u>\$ 1,165,000</u>	<u>\$ 122,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287,143</u>

**Notes Payable**

	Governmental Activities		Business -Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 46,246	\$ 36,606	\$ -	\$ -	\$ 82,852
2012	48,328	34,525	-	-	82,853
2013	50,502	32,351	-	-	82,853
2014	52,775	30,078	-	-	82,853
2015	55,150	27,703	-	-	82,853
2016 - 2020	315,285	98,979	-	-	414,264
2021 - 2025	245,190	26,596	-	-	271,786
	<u>\$ 813,476</u>	<u>\$ 286,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,315</u>

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5. INTERFUND TRANSFERS**

All interfund transfers between the various funds are approved supplements to the operations of those funds.

**Interfund transfers:**

Transfers In	Transfers Out	Amount
	Watauga Parks Development Corporation	
General Fund	Sales Tax Fund	\$ 64,000
General Fund	Storm Drain Utility Fund	34,700
	Watauga Crime Control and Prevention	
General Fund	District Fund	11,500
General Fund	Water and Sewer Operating Fund	326,228
Watauga Parks Development Corporation	Watauga Parks Development Corporation	
Construction Fund	Sales Tax Fund	302,000
Capital Projects Fund	General Fund	1,420,000
Park Vista Fund	General Fund	1,400
Watauga Parks Development Corporation	Watauga Parks Development Corporation	
Debt Service Fund	Sales Tax Fund	215,462
		<u>\$ 2,375,290</u>

Transfers are primarily used to move funds to:

- General Fund from Watauga Parks Development Corporation Sales Tax Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.
- General Fund from Storm Drain Utility Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.
- General Fund from Watauga Crime Control and Prevention District Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.
- General Fund from Water and Sewer Operating Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.
- Watauga Parks Development Corporation Construction Fund from Watauga Parks Development Corporation Sales Tax Fund for funding of construction.
- Capital Projects Fund from General Fund for capital improvement plans, specifically street reconstruction and renovations.
- Park Vista Fund from General Fund to cover negative fund balance.
- Watauga Parks Development Corporation Debt Service Fund from Watauga Parks Development Corporation Sales Tax Fund was to provide funds to pay for debt obligations for current year.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM**

**Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on the TMRS website at [www.TMRS.com](http://www.TMRS.com).

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

	Plan Year 2009	Plan Year 2010
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contribution**

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

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM – CONTINUED**

**Contribution – Continued**

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

1. Annual required contribution (ARC)	\$ 1,022,508
2. Interest on net pension obligation	-
3. Adjustment to the ARC	-
4. Annual pension cost (APC)	1,022,508
5. Contributions made	(1,022,508)
6. Increase (decrease) in net pension obligation	-
7. Net pension obligation/(asset), beginning of year	-
8. Net pension obligation/(asset), end of year	\$ -

Significant assumptions used in preparation of that valuation as well as the previous valuation are as follows:

Actuarial valuation date	December 31, 2007	December 31, 2008
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	30 years - closed period	29 years - closed period
Asset valuation method	Amortized cost	Amortized cost
Actuarial assumption		
Investment rate of return	7%	7.5%
Project salary increases	Varies by age/service	Varies by age/service
Inflation	3%	3%
Cost of living adjustments	2.1%	2.1%
Payroll growth assumptions	3%	3%

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM – CONTINUED**

**Contribution – Continued**

The TMRS Board of Trustees, in an effort to assist cities with increases greater than 0.5% in the required contribution rates occurring as a result of the changes in funding method and assumptions, voted to (1) extend the period for amortizing the unfunded actuarial accrued liability (“UAAL”) to a 30 year closed period, and (2) allow the contribution rate increase to be phased in over an 8-year period (2009-2016) in determining the required contribution rate. Both options are automatic, but not mandatory. At a city’s request, TMRS will recalculate the contribution rate for a city that chooses a 25-year, closed amortization period. Cities may also choose to pay contributions in excess of the phase-in rate.

For cities with repeating features in their plans, these changes in the valuation methodology would likely result initially in higher required contributions and lower funded ratios. However, the funded ratio should show steady improvement over time. Watauga has adopted the updated service credit and annuity increase provisions on an annually repeating basis. The schedule of funding progress, presented as Required Supplementary Information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The changes in actuarial funding method and assumptions adopted for the 2008 valuation resulted in an unfunded actuarial accrued liability (“UAAL”) of \$5,515,880 which represents an increase over the prior valuation of approximately \$0.5 million. The funded ratio of the city’s plan dropped from 73% to 72.5% as a result of the increased UAAL.

Actuarial Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/06	\$ 12,477,352	\$ 14,870,103	83.7%	\$ 2,422,751	\$ 6,663,157	36.4%
*12/31/07	13,483,396	18,477,176	73.0%	4,993,780	6,857,163	72.8%
12/31/08	14,532,834	20,048,714	72.5%	5,515,880	7,530,205	73.3%

\*In December 2007, The TMRS Board of Trustees approved changes in the actuarial assumptions and funding methodology for all TMRS plans.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM – CONTINUED**

**Contribution – Continued**

Annual pension cost and percentage of pension cost contributed are as follows:

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation at Year End
2008	\$ 735,911	100%	\$ -
2009	900,500	100%	-
2010	1,022,508	100%	-

**NOTE 7. OTHER POSTEMPLOYMENT BENEFITS**

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (“GASB”) Statement 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (“OPEB”) prospectively.

**Supplemental Death Benefits Plan**

**Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (“TMRS”) known as the Supplemental Death Benefits Fund (“SDBF”). See Note 6 for information on accessing the comprehensive annual financial report for TMRS. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500. This coverage is an OPEB.

**Funding Policy**

The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net assets available for OPEB.

**CITY OF WATAUGA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED**

**Contributions**

Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently 0.01% of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

Contributions are made monthly based on covered payroll of employee members of the City. The City contributes to the SDBF at the contractually required rate as determined by the annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The City's contribution rates for the last three calendar/plan years are as follows:

Schedule of Contribution Rates (Retiree-only portion of the rate)			
Plan Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	% of ARC Contributed
2007	0.02%	0.02%	100%
2008	0.01%	0.01%	100%
2009	0.01%	0.01%	100%

The City's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were \$15,492, \$16,003 and \$15,796, respectively, which equaled the required contributions each year.

**NOTE 8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts such as: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Risk Pool) to provide general liability and property insurance and workers' compensation.

The City, along with other participating entities, contributes annual amounts determined by the Risk Pool. Contributions to the Risk Pool for workers' compensation are based on the City's payroll. As claims arise they are submitted to and paid by the Risk Pool.

The liability of the Texas Municipal League Intergovernmental Risk Pool is limited to a \$2,000,000 annual aggregate for general liability, errors and omissions, and law enforcement. The automobile liability limit for the risk pool is \$1,000,000 for each occurrence.

**CITY OF WATAUGA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 8. RISK MANAGEMENT – CONTINUED**

There have been no significant changes in insurance coverage as compared to last year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 9. LITIGATION**

Various claims and lawsuits are pending against the City of Watauga. In the opinion of the City's Legal Counsel and Management, the potential losses will not have a material effect on the City's financial statements.

**NOTE 10. DESIGNATION OF NET ASSETS**

The City council has designated \$50,000 in the Water and Sewer Fund net assets for unexpected future payments, which is included in unrestricted net assets on the Statement of Net Assets – Proprietary Funds.

**NOTE 11. DEFICIT IN FUND BALANCE**

As of September 30, 2010, the following individual funds had a deficit in fund balance:

Park Vista Fund	\$ (140)
Bunker Hill Drainage Fund	(78)

**NOTE 12. OPERATING LEASES**

The City is committed under various noncancelable operating leases, primarily for equipment (principally in the General Fund). Future minimum operating lease commitments are as follows:

2011	\$ 54,357
2012	38,363
2013	<u>23,503</u>
	<u>\$ 116,223</u>

Lease and rent expenditures were \$60,259 for the year ended September 30, 2010.

**NOTE 13. COMMITMENTS**

The City entered into a construction contract during the fiscal year for the construction of the new Fire/EMS station. As of September 30, 2010, the City had an outstanding construction contract totaling \$2,122,778.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF WATAUGA, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION  
IN TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2010**

Actuarial Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/06	\$ 12,477,352	\$ 14,870,103	83.7%	\$ 2,422,751	\$ 6,663,157	36.4%
*12/31/07	13,483,396	18,477,176	73.0%	4,993,780	6,857,163	72.8%
12/31/08	14,532,834	20,048,714	72.5%	5,515,880	7,530,205	73.3%

\*In December 2007, The TMRS Board of Trustees approved changes in the actuarial assumptions and funding methodology for all TMRS plans.

The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of December 31, 2008 and each of the two preceding calendar years. The data presented in the schedule were obtained from TMRS and were based upon the annual actuarial valuation for the years represented. The city is financially responsible for its own portion of the plan. Therefore, the numbers shown above reflect only the condition of the City's plan.

The schedule is presented to provide a consistent basis for measuring the plan's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the plan's funded ratio (i.e. actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the plan's ability to pay all projected benefits as they come due. The plan is fully funded if the funded ratio is greater than or equal to 100%. During the year ended December 31, 2008, the plan's funded ratio dropped to 72.5%.

The Schedule of Funding Progress also discloses the relationship between the plan's covered payroll (i.e. all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability ("UAAL"). This relationship, expressed as a ratio, is a measure of the significance of the UAAL relative to the capacity to pay all contributions required to fund the liability. During the year ended December 31, 2008, the plan's ratio of the UAAL to its covered payroll increased to 73.3%.

For the actuarial valuation dated December 31, 2008, the TMRS Board of Trustees adopted changes in the actuarial funding method and assumptions; as such, those changes are reflected in the above numbers. For a complete description of these changes, see Note 6 Employee Retirement System in the accompanying notes to the financial statements.

**CITY OF WATAUGA, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,687,855	\$ 7,687,855	\$ 8,059,234	\$ 371,379
Licenses and permits	219,300	219,300	218,013	(1,287)
Charges for services	631,000	631,000	699,238	68,238
Fines and forfeitures	629,000	629,000	884,038	255,038
Interest income	149,000	149,000	35,437	(113,563)
Intergovernmental	379,200	379,200	360,928	(18,272)
Miscellaneous	135,800	135,800	344,362	208,562
Total revenues	<u>9,831,155</u>	<u>9,831,155</u>	<u>10,601,250</u>	<u>770,095</u>
<b>Expenditures</b>				
Current				
Administration	165,195	162,847	153,853	8,994
Administration - City Manager	163,475	161,799	147,381	14,418
Non-departmental	1,109,546	1,053,673	971,852	81,821
Human resources	120,166	118,991	106,376	12,615
Finance	602,757	617,192	611,798	5,394
MIS	251,417	251,532	225,572	25,960
Library	801,185	794,924	772,338	22,586
Recreation & community services	594,161	589,856	570,835	19,021
Police	2,989,584	3,061,057	3,032,490	28,567
Fire/EMS	1,787,672	1,777,902	1,728,306	49,596
Public works	804,914	793,565	741,395	52,170
Fleet maintenance	185,034	213,117	215,997	(2,880)
Buildings	705,815	700,337	661,012	39,325
Total expenditures	<u>10,280,921</u>	<u>10,296,792</u>	<u>9,939,205</u>	<u>357,587</u>
Excess (deficiency) of revenues over expenditures	(449,766)	(465,637)	662,045	412,508
<b>Other financing sources (uses)</b>				
Transfers in	454,700	454,700	436,428	(18,272)
Transfers out	(1,421,400)	(1,421,400)	(1,421,400)	-
Total other financing sources (uses)	<u>(966,700)</u>	<u>(966,700)</u>	<u>(984,972)</u>	<u>(18,272)</u>
Net change in fund balances	(1,416,466)	(1,432,337)	(322,927)	1,109,410
<b>Fund balance, beginning of year</b>	<u>6,690,658</u>	<u>6,690,658</u>	<u>6,690,658</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,274,192</u>	<u>\$ 5,258,321</u>	<u>\$ 6,367,731</u>	<u>\$ 1,109,410</u>

**CITY OF WATAUGA, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY CONTROL**

The City Charter follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. The proposed budget and all supporting schedules are filed with the City Secretary when submitted to the City Council.
3. Public hearings are conducted to obtain taxpayer comments.
4. Prior to September 15, the budget is adopted by affirmative vote of at least two thirds of the members of the City Council.
5. The City Manager is authorized to transfer budgeted amounts between programs within a department; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
6. If at any time during a fiscal year, it is estimated by the City Manager that current year's expenditures in any Fund will exceed available revenues (including fund balance at the start of the year), the City Manager shall recommend measures to the City Council to ensure that a positive fund balance is maintained.
7. Budgets for the General, Special Revenue, Debt Service and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as amended by the City Council. Such appropriations lapse at year-end.
8. Budgetary data for the Capital Projects Fund has not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Enterprise Funds. Budgetary control is maintained at the department level.
10. Budgetary data for the Enterprise Funds has not been presented since the reporting on such budgets is not legally required. Budgetary control is maintained at the departmental level.

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

## **NON MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Watauga Parks Development Corporation Sales Tax Fund - to account for a half-penny sales tax increase, approved by voters, to build and improve City parks.

Watauga Crime Control and Prevention Fund - to account for a half-penny sales tax increase approved by voters to enhance law enforcement in Watauga.

Library Donation Fund - to account for public donations made to the City specifically for the benefit of the public library.

Municipal Court Security Fund – to account for a fee established in the 1997 Texas Legislative session to allow a \$3 assessment on all court fines paid. This assessment allows municipalities to purchase security equipment such as surveillance cameras, bulletproof glass and bailiff costs for Municipal Court areas.

Municipal Court Technology Fund – to account for a fee established in the 1997 Texas Legislative session to allow a \$4 assessment on all court fines paid. This assessment allows municipalities to purchase and maintain technology equipment such as computer hardware and software for the benefit of the Municipal Court.

Municipal Court Juvenile Case Manager Fund – to account for a fee established and approved by City Council January 28, 2008 to allow a \$5 assessment per misdemeanor offense. Fees are paid out of this fund to pay personnel costs of the Municipal Court Juvenile Case Manager.

Park Vista Fund - to account for revenue and expenditures associated with four acres of land annexed by the City.

### **DEBT SERVICE FUND**

Watauga Parks Development Corporation - to accumulate monies for the payment of interest and principal on sales tax revenue bonds. Financing is provided by sales tax revenue.

### **CAPITAL PROJECT FUNDS**

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Watauga Parks Development Corporation Construction Fund - to account for construction projects funded by the Watauga Parks Development Corporation.

Bunker Hill Drainage Capital Projects Fund - to account for drainage projects in the Bunker Hill area of the City.

**CITY OF WATAUGA, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

**Special Revenue Funds**

	Special Revenue Funds							Total
	Watauga Crime Control WPDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund	Municipal Court Juvenile Case Manager Fund	Park Vista Fund	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 654,035	\$ 1,092,800	\$ 1,222	\$ 18,070	\$ 30,339	\$ 29,921	\$ -	\$ 1,826,387
Investments	660,420	-	3,529	16,944	28,477	28,317	-	737,687
Accounts receivable	233,348	197,374	97	-	-	-	-	430,819
Prepays and deposits	461	698	-	-	-	-	-	1,159
<b>Total assets</b>	<b>\$ 1,548,264</b>	<b>\$ 1,290,872</b>	<b>\$ 4,848</b>	<b>\$ 35,014</b>	<b>\$ 58,816</b>	<b>\$ 58,238</b>	<b>\$ -</b>	<b>\$ 2,996,052</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 10,899	\$ 15,778	\$ 17	\$ 36	\$ -	\$ 459	\$ -	\$ 27,189
Accrued liabilities	18,380	27,329	79	68	-	-	-	45,856
Due to other funds	-	-	-	-	-	-	140	140
<b>Total liabilities</b>	<b>29,279</b>	<b>43,107</b>	<b>96</b>	<b>104</b>	<b>-</b>	<b>459</b>	<b>140</b>	<b>73,185</b>
<b>FUND BALANCES</b>								
Reserved								
Prepays and deposits	461	698	-	-	-	-	-	1,159
Reserve for debt service	-	-	-	-	-	-	-	-
Unreserved, designated reported in capital projects funds	-	-	-	-	-	-	-	-
Unreserved, undesignated	1,518,524	1,247,067	4,752	34,910	58,816	57,779	(140)	2,921,708
<b>Total fund balances</b>	<b>1,518,985</b>	<b>1,247,765</b>	<b>4,752</b>	<b>34,910</b>	<b>58,816</b>	<b>57,779</b>	<b>(140)</b>	<b>2,922,867</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,548,264</b>	<b>\$ 1,290,872</b>	<b>\$ 4,848</b>	<b>\$ 35,014</b>	<b>\$ 58,816</b>	<b>\$ 58,238</b>	<b>\$ -</b>	<b>\$ 2,996,052</b>

Capital Projects Funds

WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Totals	Total Nonmajor Governmental Funds
\$ 129,856	\$ 530,961	\$ -	\$ 530,961	\$ 2,487,204
130,018	506,447	-	506,447	1,374,152
-	-	-	-	430,819
-	-	-	-	1,159
<u>\$ 259,874</u>	<u>\$ 1,037,408</u>	<u>\$ -</u>	<u>\$ 1,037,408</u>	<u>\$ 4,293,334</u>
\$ -	\$ -	\$ -	\$ -	\$ 27,189
-	-	-	-	45,856
-	-	78	78	218
-	-	78	78	73,263
-	-	-	-	1,159
259,874	-	-	-	259,874
-	1,037,408	-	1,037,408	1,037,408
-	-	(78)	(78)	2,921,630
<u>259,874</u>	<u>1,037,408</u>	<u>(78)</u>	<u>1,037,330</u>	<u>4,220,071</u>
<u>\$ 259,874</u>	<u>\$ 1,037,408</u>	<u>\$ -</u>	<u>\$ 1,037,408</u>	<u>\$ 4,293,334</u>

**CITY OF WATAUGA, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds**

	<b>WPDC Sales Tax Fund</b>	<b>Watauga Crime Control and Prevention Fund</b>	<b>Library Donation Fund</b>	<b>Municipal Court Security Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Municipal Court Juvenile Case Manager Fund</b>	<b>Park Vista Fund</b>	<b>Total</b>
<b>Revenues</b>								
Taxes	\$ 1,308,212	\$ 1,153,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,462,183
Interest income	5,917	2,051	28	132	247	211	-	8,586
Miscellaneous	-	42,016	12,936	17,365	23,138	26,961	163	122,579
<b>Total revenues</b>	<b>1,314,129</b>	<b>1,198,038</b>	<b>12,964</b>	<b>17,497</b>	<b>23,385</b>	<b>27,172</b>	<b>163</b>	<b>2,593,348</b>
<b>Expenditures</b>								
Public safety	-	1,041,390	-	4,326	16,445	1,740	-	1,063,901
Culture and recreation	632,038	-	10,974	-	-	-	-	643,012
Capital outlay	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>632,038</b>	<b>1,041,390</b>	<b>10,974</b>	<b>4,326</b>	<b>16,445</b>	<b>1,740</b>	<b>-</b>	<b>1,706,913</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	1,400	1,400
Transfers out	(581,462)	(11,500)	-	-	-	-	-	(592,962)
<b>Total other financing sources (uses)</b>	<b>(581,462)</b>	<b>(11,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,400</b>	<b>(591,562)</b>
<b>Net change in fund balances</b>	<b>100,629</b>	<b>145,148</b>	<b>1,990</b>	<b>13,171</b>	<b>6,940</b>	<b>25,432</b>	<b>1,563</b>	<b>294,873</b>
<b>Fund balance, beginning of year</b>	<b>1,418,356</b>	<b>1,102,617</b>	<b>2,762</b>	<b>21,739</b>	<b>51,876</b>	<b>32,347</b>	<b>(1,703)</b>	<b>2,627,994</b>
<b>Fund balance, end of year</b>	<b>\$ 1,518,985</b>	<b>\$ 1,247,765</b>	<b>\$ 4,752</b>	<b>\$ 34,910</b>	<b>\$ 58,816</b>	<b>\$ 57,779</b>	<b>\$ (140)</b>	<b>\$ 2,922,867</b>

Capital Projects Funds

WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Totals	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,462,183
1,439	4,187	-	4,187	14,212
-	-	-	-	122,579
1,439	4,187	-	4,187	2,598,974
-	-	-	-	1,063,901
-	-	-	-	643,012
-	1,000	-	1,000	1,000
175,000	-	-	-	175,000
40,860	-	-	-	40,860
215,860	1,000	-	1,000	1,923,773
215,462	302,000	-	302,000	518,862
-	-	-	-	(592,962)
215,462	302,000	-	302,000	(74,100)
1,041	305,187	-	305,187	601,101
258,833	732,221	(78)	732,143	3,618,970
<u>\$ 259,874</u>	<u>\$ 1,037,408</u>	<u>\$ (78)</u>	<u>\$ 1,037,330</u>	<u>\$ 4,220,071</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
WPDC SALES TAX SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,280,000	\$ 1,280,000	\$ 1,308,212	\$ 28,212
Interest income	11,000	11,000	5,917	(5,083)
Total revenues	1,291,000	1,291,000	1,314,129	23,129
<b>Expenditures</b>				
Culture and recreation	709,538	709,538	632,038	77,500
Total expenditures	709,538	709,538	632,038	77,500
<b>Other financing uses</b>				
Transfers out	(581,462)	(581,462)	(581,462)	-
Total other financing uses	(581,462)	(581,462)	(581,462)	-
Net change in fund balances	-	-	100,629	100,629
<b>Fund balance, beginning of year</b>	<u>1,418,356</u>	<u>1,418,356</u>	<u>1,418,356</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,418,356</u></u>	<u><u>\$ 1,418,356</u></u>	<u><u>\$ 1,518,985</u></u>	<u><u>\$ 100,629</u></u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
WATAUGA CRIME CONTROL AND PREVENTION SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,110,000	\$ 1,110,000	\$ 1,153,971	\$ 43,971
Interest income	6,000	6,000	2,051	(3,949)
Miscellaneous	43,512	43,512	42,016	(1,496)
Total revenues	1,159,512	1,159,512	1,198,038	38,526
<b>Expenditures</b>				
Public safety	1,148,012	1,154,091	1,041,390	112,701
Total expenditures	1,148,012	1,154,091	1,041,390	112,701
<b>Other financing uses</b>				
Transfers out	(11,500)	(11,500)	(11,500)	-
Total other financing uses	(11,500)	(11,500)	(11,500)	-
Net change in fund balances	-	(6,079)	145,148	151,227
<b>Fund balance, beginning of year</b>	1,102,617	1,102,617	1,102,617	-
<b>Fund balance, end of year</b>	<u>\$ 1,102,617</u>	<u>\$ 1,096,538</u>	<u>\$ 1,247,765</u>	<u>\$ 151,227</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
LIBRARY DONATION SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	\$ 150	\$ 150	\$ 28	\$ (122)
Miscellaneous	13,000	13,000	12,936	(64)
Total revenues	13,150	13,150	12,964	(186)
<b>Expenditures</b>				
Culture and recreation	13,130	13,130	10,974	2,156
Total expenditures	13,130	13,130	10,974	2,156
Net change in fund balances	20	20	1,990	1,970
<b>Fund balance, beginning of year</b>	<u>2,762</u>	<u>2,762</u>	<u>2,762</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,782</u>	<u>\$ 2,782</u>	<u>\$ 4,752</u>	<u>\$ 1,970</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
MUNICIPAL COURT BUILDING SECURITY SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	\$ 310	\$ 310	\$ 132	\$ (178)
Miscellaneous	13,000	13,000	17,365	4,365
Total revenues	13,310	13,310	17,497	4,187
<b>Expenditures</b>				
Public safety	12,784	12,784	4,326	8,458
Total expenditures	12,784	12,784	4,326	8,458
Net change in fund balances	526	526	13,171	12,645
<b>Fund balance, beginning of year</b>	<u>21,739</u>	<u>21,739</u>	<u>21,739</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 22,265</u>	<u>\$ 22,265</u>	<u>\$ 34,910</u>	<u>\$ 12,645</u>

**CITY OF WATAUGA, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES – BUDGET AND ACTUAL  
 MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND  
 YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	\$ 800	\$ 800	\$ 247	\$ (553)
Miscellaneous	17,000	17,000	23,138	6,138
Total revenues	17,800	17,800	23,385	5,585
<b>Expenditures</b>				
Public safety	26,218	26,218	16,445	9,773
Total expenditures	26,218	26,218	16,445	9,773
Net change in fund balances	(8,418)	(8,418)	6,940	15,358
<b>Fund balance, beginning of year</b>	<u>51,876</u>	<u>51,876</u>	<u>51,876</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 43,458</u>	<u>\$ 43,458</u>	<u>\$ 58,816</u>	<u>\$ 15,358</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
MUNICIPAL COURT JUVENILE CASE MANAGER SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ 400	\$ 400	\$ 211	\$ (189)
Miscellaneous	16,000	16,000	26,961	10,961
Total revenues	16,400	16,400	27,172	10,772
<b>Expenditures</b>				
Public safety	10,336	10,336	1,740	8,596
Total expenditures	10,336	10,336	1,740	8,596
Net change in fund balances	6,064	6,064	25,432	19,368
<b>Fund balance, beginning or year</b>	32,347	32,347	32,347	-
<b>Fund balance, end of year</b>	<u>\$ 38,411</u>	<u>\$ 38,411</u>	<u>\$ 57,779</u>	<u>\$ 19,368</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
PARK VISTA SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	163	163
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	163	163
<b>Other financing sources</b>				
Transfers in	1,400	1,400	1,400	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	1,400	1,400	1,400	-
Net change in fund balances	1,400	1,400	1,563	163
<b>Fund balance, beginning of year</b>	<hr/> (1,703) <hr/>	<hr/> (1,703) <hr/>	<hr/> (1,703) <hr/>	<hr/> - <hr/>
<b>Fund balance, end of year</b>	<hr/> <u>\$ (303)</u> <hr/>	<hr/> <u>\$ (303)</u> <hr/>	<hr/> <u>\$ (140)</u> <hr/>	<hr/> <u>\$ 163</u> <hr/>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL OBLIGATION DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,581,772	\$ 1,581,772	\$ 1,667,967	\$ 86,195
Penalties and interest	14,000	14,000	-	(14,000)
Interest income	9,960	9,960	2,582	(7,378)
	<hr/>		<hr/>	
Total revenues	1,605,732	1,605,732	1,670,549	64,817
<b>Expenditures</b>				
Debt service				
Principal	1,310,000	1,310,000	1,310,000	-
Interest and fiscal charges	475,437	475,437	471,331	4,106
	<hr/>		<hr/>	
Total expenditures	1,785,437	1,785,437	1,781,331	4,106
	<hr/>		<hr/>	
Net change in fund balances	(179,705)	(179,705)	(110,782)	68,923
	<hr/>		<hr/>	
<b>Fund balances, beginning of year</b>	425,906	425,906	425,906	-
	<hr/>		<hr/>	
<b>Fund balances, end of year</b>	<u>\$ 246,201</u>	<u>\$ 246,201</u>	<u>\$ 315,124</u>	<u>\$ 68,923</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
WPDC REVENUE BOND DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	\$ 3,000	\$ 3,000	\$ 1,439	\$ (1,561)
Total revenues	3,000	3,000	1,439	(1,561)
<b>Expenditures</b>				
Debt service				
Principal	175,000	175,000	175,000	-
Interest and fiscal charges	41,462	41,462	40,860	602
Total expenditures	216,462	216,462	215,860	602
<b>Other financing sources</b>				
Transfers in	215,462	215,462	215,462	-
Total other financing sources	215,462	215,462	215,462	-
Net change in fund balances	2,000	2,000	1,041	(959)
<b>Fund balances, beginning of year</b>	<u>258,833</u>	<u>258,833</u>	<u>258,833</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 260,833</u>	<u>\$ 260,833</u>	<u>\$ 259,874</u>	<u>\$ (959)</u>

**STATISTICAL SECTION**  
**(Unaudited)**

## STATISTICAL SECTION

This part of the City of Watauga's Comprehensive Annual Report provides detailed information to help the reader better understand information presented within the financial statements, note disclosures, and required supplementary information and how they relate to the City's overall financial health.

<b>Financial Trends</b> Contain trend information to aid the reader in understanding how the City's financial performance has changed over time.	(Tables 1-4)
<b>Revenue Capacity</b> Contain information to help the reader assess the City's most significant local revenue sources, the property tax and water revenues.	(Tables 5-10)
<b>Debt Capacity</b> Present information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	(Tables 11-14)
<b>Demographic and Economic Information</b> Offers information to help the reader understand the environment within which the City's financial activities take place.	(Tables 15-16)
<b>Operating Information</b> Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.	(Tables 17-19)

*Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB34 in the 2003 fiscal year, schedules presenting government-wide information include information beginning in that year.*

Table 1

**CITY OF WATAUGA**  
**NET ASSETS BY COMPONENT**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*  
*(Unaudited)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 23,441,917	\$ 26,538,475	\$ 27,094,685	\$ 28,537,817	\$ 31,150,229	\$ 30,732,214	\$ 32,581,629
Restricted	372,766	356,918	60,039	367,219	482,624	580,384	489,133
Unrestricted	<u>6,869,961</u>	<u>5,547,137</u>	<u>6,958,326</u>	<u>7,951,823</u>	<u>7,027,793</u>	<u>8,390,973</u>	<u>8,145,817</u>
Total governmental activities net assets	<u>\$ 30,684,644</u>	<u>\$ 32,442,530</u>	<u>\$ 34,113,050</u>	<u>\$ 36,856,859</u>	<u>\$ 38,660,646</u>	<u>\$ 39,703,571</u>	<u>\$ 41,216,579</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 13,701,057	\$ 13,983,521	\$ 14,432,918	\$ 15,225,107	\$ 15,606,285	\$ 16,389,484	\$ 17,035,479
Restricted	328,718	179,219	32,120	204,791	487,762	32,326	36,788
Unrestricted	<u>3,579,130</u>	<u>4,383,995</u>	<u>5,239,749</u>	<u>5,018,055</u>	<u>4,702,911</u>	<u>5,072,765</u>	<u>4,383,221</u>
Total business-type activities net assets	<u>\$ 17,608,905</u>	<u>\$ 18,546,735</u>	<u>\$ 19,704,787</u>	<u>\$ 20,447,953</u>	<u>\$ 20,796,958</u>	<u>\$ 21,494,575</u>	<u>\$ 21,455,488</u>
Primary government							
Invested in capital assets, net of related debt	\$ 37,142,974	\$ 40,521,996	\$ 41,527,603	\$ 43,762,924	\$ 46,756,514	\$ 47,121,698	\$ 49,617,108
Restricted	701,484	536,137	92,159	572,010	970,386	612,710	525,921
Unrestricted	<u>10,449,091</u>	<u>9,931,132</u>	<u>12,198,075</u>	<u>12,969,878</u>	<u>11,730,704</u>	<u>13,463,738</u>	<u>12,529,038</u>
Total primary government net assets	<u>\$ 48,293,549</u>	<u>\$ 50,989,265</u>	<u>\$ 53,817,837</u>	<u>\$ 57,304,812</u>	<u>\$ 59,457,604</u>	<u>\$ 61,198,146</u>	<u>\$ 62,672,067</u>

Source: Comprehensive Annual Reports

*The City implemented GASB34 in the 2003 fiscal year and data is presented from that year forward*

Table 2

**CITY OF WATAUGA**  
**CHANGES IN NET ASSETS**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*  
*(Unaudited)*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>							
Governmental activities							
General government	\$ 2,726,264	\$ 3,758,792	\$ 3,881,053	\$ 4,564,852	\$ 4,764,459	\$ 4,821,004	\$ 5,051,415
Department of Public Safety	3,979,933	3,463,332	3,528,716	4,203,329	4,168,608	4,209,793	4,431,774
Public Works	2,143,425	2,029,473	1,742,205	1,217,456	1,945,380	1,993,867	2,136,811
Capital Outlay	-	222,128	479,000	-	-	-	-
Parks and recreation	1,974,721	1,818,489	2,111,428	2,111,068	2,224,257	2,108,473	1,648,292
Interest on long-term debt	714,448	492,404	690,563	675,444	661,324	679,483	560,285
Total governmental activities expenses	<u>11,538,791</u>	<u>11,784,618</u>	<u>12,432,965</u>	<u>12,772,149</u>	<u>13,764,028</u>	<u>13,812,620</u>	<u>13,828,577</u>
Business-type activities							
Water and Sewer	5,496,410	5,700,693	5,932,341	5,478,534	6,127,753	5,886,812	6,260,844
Drainage Utility	941,210	898,037	848,280	923,988	877,922	901,079	843,690
Total business-type activities expenses	<u>6,437,620</u>	<u>6,598,730</u>	<u>6,780,621</u>	<u>6,402,522</u>	<u>7,005,675</u>	<u>6,787,891</u>	<u>7,104,534</u>
Total primary government expenses	<u>\$ 17,976,411</u>	<u>\$ 18,383,348</u>	<u>\$ 19,213,586</u>	<u>\$ 19,174,671</u>	<u>\$ 20,769,703</u>	<u>\$ 20,600,511</u>	<u>\$ 20,933,111</u>
<b>Program Revenues</b>							
Governmental activities							
Fees, Fines, and Charges for services							
General Government	\$ 15,204	\$ 1,326	\$ 11,176	\$ 84,299	\$ 87,993	\$ 102,044	\$ 212,514
Public Safety	741,367	742,999	771,245	1,321,651	1,188,612	1,323,097	1,330,535
Public Works	380,935	153,211	344,133	436,199	438,719	434,925	214,136
Parks and recreation	140,680	372,322	234,083	247,893	214,755	220,824	390,920
Other activities	-	-	-	-	-	-	-
Operating grants and contributions	87,416	97,160	110,066	105,464	68,346	64,747	62,761
Capital grants and contributions	-	-	-	-	-	-	161,482
Total governmental activities program revenues	<u>1,365,602</u>	<u>1,367,018</u>	<u>1,470,703</u>	<u>2,195,506</u>	<u>1,998,425</u>	<u>2,145,637</u>	<u>2,372,348</u>
Business-type activities							
Charges for services							
Water and Sewer	7,244,546	6,921,672	7,159,786	6,499,187	6,827,535	6,710,552	6,683,362
Drainage Utility	-	693,076	693,043	693,611	696,073	698,711	700,295
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>7,244,546</u>	<u>7,614,748</u>	<u>7,852,829</u>	<u>7,192,798</u>	<u>7,523,608</u>	<u>7,409,263</u>	<u>7,383,657</u>
Total primary government program revenues	<u>\$ 8,610,148</u>	<u>\$ 8,981,766</u>	<u>\$ 9,323,532</u>	<u>\$ 9,388,304</u>	<u>\$ 9,522,033</u>	<u>\$ 9,554,900</u>	<u>\$ 9,756,005</u>

**Table 2**  
(continued)

**CITY OF WATAUGA**  
**CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS**  
(accrual basis of accounting)  
(Unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (Expense)/Revenue</b>							
Governmental activities	\$ (10,173,189)	\$ (10,417,600)	\$ (10,962,262)	\$ (10,576,643)	\$ (11,765,603)	\$ (11,666,983)	\$ (11,456,229)
Business-type activities	<u>806,926</u>	<u>1,016,018</u>	<u>1,072,208</u>	<u>790,276</u>	<u>517,933</u>	<u>621,372</u>	<u>297,723</u>
Total primary government net expense	<u>\$ (9,366,263)</u>	<u>\$ (9,401,582)</u>	<u>\$ (9,890,054)</u>	<u>\$ (9,786,367)</u>	<u>\$ (11,247,670)</u>	<u>\$ (11,045,611)</u>	<u>\$ (11,158,506)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Property taxes	\$ 5,246,688	\$ 5,465,585	\$ 5,712,275	\$ 5,747,974	\$ 6,070,750	\$ 5,999,752	\$ 5,947,914
Franchise taxes	945,407	941,827	964,868	940,273	954,692	1,033,043	1,039,844
Sales taxes	4,574,815	4,447,182	4,756,612	5,017,072	5,209,951	4,951,896	5,144,963
Penalties and Interest	45,001	45,605	49,306	46,461	57,424	44,683	44,805
Unrestricted grants and contributions	-	-	-	-	-	-	-
Payments in lieu of taxes	235,194	350,780	353,623	357,899	370,387	371,890	360,928
Investment earnings	128,177	307,461	623,908	817,791	568,060	280,729	69,855
Gain on Sale of Assets	10,110	336,857	-	-	-	(6,747)	-
Miscellaneous	176,679	87,549	23,078	-	-	-	-
Transfers	<u>356,710</u>	<u>192,640</u>	<u>149,112</u>	<u>357,899</u>	<u>370,388</u>	<u>34,662</u>	<u>360,928</u>
Total governmental activities	<u>11,718,781</u>	<u>12,175,486</u>	<u>12,632,782</u>	<u>13,285,369</u>	<u>13,601,652</u>	<u>12,709,908</u>	<u>12,969,237</u>
Business-type activities:							
Investment earnings	52,031	114,452	234,956	310,789	201,460	110,910	24,115
Transfers	<u>(356,710)</u>	<u>(192,640)</u>	<u>(149,112)</u>	<u>(357,899)</u>	<u>(370,388)</u>	<u>(34,662)</u>	<u>(360,928)</u>
Total business-type activities	<u>(304,679)</u>	<u>(78,188)</u>	<u>85,844</u>	<u>(47,110)</u>	<u>(168,928)</u>	<u>76,248</u>	<u>(336,813)</u>
Total primary government	<u>\$ 11,414,102</u>	<u>\$ 12,097,298</u>	<u>\$ 12,718,626</u>	<u>\$ 13,238,259</u>	<u>\$ 13,432,724</u>	<u>\$ 12,786,156</u>	<u>\$ 12,632,424</u>
<b>Change in Net Assets</b>							
Governmental activities	\$ 1,545,592	\$ 1,757,886	\$ 1,670,520	\$ 2,708,726	\$ 1,836,049	\$ 1,042,925	\$ 1,513,008
Business-type activities	<u>502,247</u>	<u>937,830</u>	<u>1,158,052</u>	<u>743,166</u>	<u>349,005</u>	<u>697,620</u>	<u>(39,090)</u>
Total primary government	<u>\$ 2,047,839</u>	<u>\$ 2,695,716</u>	<u>\$ 2,828,572</u>	<u>\$ 3,451,892</u>	<u>\$ 2,185,054</u>	<u>\$ 1,740,545</u>	<u>\$ 1,473,918</u>

Source: Comprehensive Annual Financial Reports

The City implemented GASB34 in the 2003 fiscal year and data is presented from that year forward.

Table 3

**CITY OF WATAUGA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(Unaudited)*

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund										
Reserved*	\$ 2,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,870
Unreserved	<u>3,129,708</u>	<u>4,213,729</u>	<u>4,830,982</u>	<u>5,414,236</u>	<u>4,004,242</u>	<u>5,258,923</u>	<u>6,025,394</u>	<u>6,457,507</u>	<u>6,690,658</u>	<u>6,339,861</u>
Total general fund	<u>\$ 3,132,668</u>	<u>\$ 4,213,729</u>	<u>\$ 4,830,982</u>	<u>\$ 5,414,236</u>	<u>\$ 4,004,242</u>	<u>\$ 5,258,923</u>	<u>\$ 6,025,394</u>	<u>\$ 6,457,507</u>	<u>\$ 6,690,658</u>	<u>\$ 6,367,731</u>
All Other Governmental Funds										
Reserved	\$ 920,523	\$ 829,891	\$ 743,536	\$ 487,309	\$ 341,661	\$ 323,753	\$ 453,327	\$ 570,496	\$ 684,739	\$ 576,157
Unreserved, reported in:										
Special revenue funds	862,293	1,255,348	1,846,155	1,745,995	1,827,676	1,826,624	2,210,412	2,074,940	2,627,994	2,921,630
Capital projects funds	5,487,882	3,233,324	3,292,013	3,326,844	8,319,883	5,522,062	8,625,216	6,280,220	3,862,015	4,006,543
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,270,698</u>	<u>\$ 5,318,563</u>	<u>\$ 5,881,704</u>	<u>\$ 5,560,148</u>	<u>\$ 10,489,220</u>	<u>\$ 7,672,439</u>	<u>\$ 11,288,955</u>	<u>\$ 8,925,656</u>	<u>\$ 7,174,748</u>	<u>\$ 7,504,330</u>

Note: \*Includes encumbrances and prepaid items

Source: Comprehensive Annual Financial Reports

**Table 4**

**CITY OF WATAUGA  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

*(Unaudited)*

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>										
Taxes	\$ 8,352,662	\$ 9,342,521	\$ 9,622,287	\$ 10,805,238	\$ 10,889,663	\$ 11,515,408	\$ 11,749,979	\$ 12,143,072	\$ 12,014,774	\$ 12,189,384
Licenses, fees and permits	588,307	524,292	380,365	259,682	244,599	210,283	264,952	268,657	257,159	218,013
Fines and penalties	455,353	387,253	409,589	459,645	524,105	505,965	542,368	609,945	646,535	699,238
Charges for services	205,093	315,140	416,355	482,155	440,154	463,487	546,759	709,477	701,608	884,038
Special assessments	-	304,361	63,852	2,797	-	-	-	-	-	-
Intergovernmental	148,917	453,905	410,982	289,545	414,394	399,137	357,899	370,387	371,890	360,928
Investment earnings	651,923	223,311	139,792	128,177	307,461	623,911	817,789	568,060	280,729	69,855
Other revenues	282,102	328,713	207,651	293,761	259,291	250,326	360,742	278,511	292,247	544,859
Total revenues	<u>10,684,357</u>	<u>11,879,496</u>	<u>11,650,873</u>	<u>12,721,000</u>	<u>13,079,667</u>	<u>13,968,517</u>	<u>14,640,488</u>	<u>14,948,109</u>	<u>14,564,942</u>	<u>14,966,315</u>
<b>Expenditures</b>										
General government	1,908,400	2,220,762	2,365,638	2,844,438	3,837,616	3,775,994	4,237,148	4,509,573	4,606,396	4,822,147
Public Safety	3,336,365	3,425,798	3,650,231	3,952,227	3,311,905	3,370,740	3,660,257	3,828,676	3,949,284	4,096,391
Public Works	669,206	740,902	704,659	621,962	684,929	661,803	642,947	721,456	744,743	741,395
Parks and recreation	1,113,044	1,417,292	1,769,508	1,856,714	1,731,225	1,978,147	1,894,061	2,068,439	1,977,466	1,986,185
Capital outlay	4,003,834	3,382,123	2,610,235	1,424,996	3,475,214	2,955,483	2,352,243	4,296,632	2,753,788	1,594,427
Debt service										
Interest	964,425	677,390	643,828	586,215	589,390	627,935	568,442	608,920	608,335	550,788
Principal	<u>1,090,000</u>	<u>1,265,000</u>	<u>1,360,000</u>	<u>1,485,000</u>	<u>1,500,000</u>	<u>1,475,000</u>	<u>1,530,000</u>	<u>1,385,000</u>	<u>1,477,349</u>	<u>1,529,255</u>
Total expenditures	<u>13,085,274</u>	<u>13,129,267</u>	<u>13,104,099</u>	<u>12,771,552</u>	<u>15,130,279</u>	<u>14,845,102</u>	<u>14,885,098</u>	<u>17,418,696</u>	<u>16,117,361</u>	<u>15,320,588</u>
Excess of revenues over (under) expenditures	(2,400,917)	(1,249,771)	(1,453,226)	(50,552)	(2,050,612)	(876,585)	(244,610)	(2,470,587)	(1,552,419)	(354,273)

**Table 4**  
(continued)

**CITY OF WATAUGA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(Unaudited)*

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	3,899,641	-	2,300,000	3,115,000	5,000,000	-	3,584,999	-	-	-
Proceeds from refunding	-	-	-	-	-	-	2,670,000	-	-	-
Proceeds from Cap Lease	-	-	-	-	-	-	-	-	-	-
Payments to escrow agent	(3,811,785)	-	-	(3,049,893)	-	-	(2,774,214)	-	-	-
Bond Issuance Costs	-	-	-	(109,567)	(54,808)	-	(45,718)	-	-	-
Sale of Asset	-	213,570	-	-	431,858	-	-	-	-	-
Transfers in	1,357,263	977,152	1,223,250	1,492,759	3,662,962	1,481,441	1,823,540	2,449,405	664,172	2,375,290
Transfers out	<u>(1,212,263)</u>	<u>(812,025)</u>	<u>(889,630)</u>	<u>(1,136,049)</u>	<u>(3,470,322)</u>	<u>(1,332,329)</u>	<u>(1,465,641)</u>	<u>(2,079,017)</u>	<u>(629,510)</u>	<u>(2,014,362)</u>
Total other financing sources (uses)	<u>232,856</u>	<u>378,697</u>	<u>2,633,620</u>	<u>312,250</u>	<u>5,569,690</u>	<u>149,112</u>	<u>3,792,966</u>	<u>370,388</u>	<u>34,662</u>	<u>360,928</u>
Net change in fund balances	<u>\$ (2,168,061)</u>	<u>\$ (871,074)</u>	<u>\$ 1,180,394</u>	<u>\$ 261,698</u>	<u>\$ 3,519,078</u>	<u>\$ (727,473)</u>	<u>\$ 3,548,356</u>	<u>\$ (2,100,199)</u>	<u>\$ (1,517,757)</u>	<u>\$ 6,655</u>
Debt service as a percentage of noncapital expenditures	22.6%	19.9%	19.1%	18.3%	17.9%	17.7%	16.7%	15.2%	15.6%	15.2%

Source: Comprehensive Annual Reports

Table 5

**CITY OF WATAUGA**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**  
*(Unaudited)*

Fiscal Year	Estimated Market Value			Less: Tax-Exempt Property	Total Taxable Assessed Value <sup>a</sup>	Total Direct Tax Rate
	Real Property	Personal Property	Total Market Value			
2001	\$ 641,595,688	\$ 45,710,360	\$ 687,306,048	\$ 47,510,545	\$ 639,795,503	0.659470
2002	733,792,186	57,201,136	790,993,322	60,939,317	730,054,005	0.657020
2003	833,499,369	61,652,840	895,152,209	64,195,614	830,956,595	0.598930
2004	915,593,648	55,868,895	971,462,543	75,168,686	896,293,857	0.580763
2005	954,897,286	59,403,846	1,014,301,132	74,176,118	940,125,014	0.580763
2006	1,000,642,257	60,878,118	1,061,520,375	75,871,741	985,648,634	0.580763
2007	1,022,670,335	61,743,271	1,084,413,606	84,469,429	999,944,177	0.580763
2008	1,040,261,804	62,689,353	1,102,951,157	86,640,804	1,016,310,353	0.580763
2009	1,049,378,376	62,631,471	1,112,009,847	84,725,733	1,027,284,114	0.580763
2010	1,039,914,283	59,970,228	1,099,884,511	92,105,295	1,007,779,216	0.580763

**Source:** Tarrant Appraisal District ([www.tad.org](http://www.tad.org))

<sup>a</sup> Assessed value taken from original certified tax roll provided by the Tarrant Appraisal District

Table 6

**City of Watauga**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*  
*(Unaudited)*

Fiscal Year	City Direct Rates			Overlapping Rates <sup>a</sup>						
	M&O Rate	General Obligation Debt Service	Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County	Tarrant County Hospital	Tarrant County College	Combined Rates	
									KISD	BISD
2001	0.423987	0.213034	0.637021	1.528900	1.569800	0.274785	0.234070	0.106410	2.781186	2.822086
2002	0.412168	0.186757	0.598925	1.651900	1.617000	0.272500	0.232400	0.139380	2.895105	2.860205
2003	0.406417	0.174346	0.580763	1.676200	1.617000	0.272500	0.235397	0.139380	2.904240	2.845040
2004	0.408797	0.171966	0.580763	1.697500	1.617000	0.272500	0.235397	0.139380	2.925540	2.845040
2005	0.408797	0.171966	0.580763	1.715800	1.617000	0.272500	0.235397	0.139380	2.943840	2.845040
2006	0.401465	0.179298	0.580763	1.608000	1.565000	0.271500	0.235397	0.139380	2.835040	2.792040
2007	0.400644	0.180119	0.580763	1.357400	1.405000	0.266500	0.230397	0.139380	2.574440	2.622040
2008	0.399918	0.180845	0.580763	1.416900	1.410000	0.264000	0.227897	0.137960	2.627520	2.620620
2009	0.419540	0.161223	0.580763	1.486300	1.405000	0.264000	0.278970	0.137670	2.747703	2.666403
2010	0.409617	0.171146	0.580763	1.530600	1.425000	0.264000	0.227897	0.137640	2.740900	2.635300

**Source: Tarrant County Appraisal District - Tax Rates**

**Note:** Rates for debt service are set based on each year's requirements.

<sup>a</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Watauga.

Table 7

**City of Watauga  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
(Unaudited)**

<u>Taxpayer</u>	<u>2010</u>			<u>Taxpayer</u>	<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value a)</u>		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value b)</u>
Inland Western Watauga Lp	\$ 23,526,704	1	2.33%	Albertson's Inc.	\$14,056,746	1	1.93%
Watauga Towne Crossing LLC	20,147,560	2	2.00%	Southwestern Bell	11,969,934	2	1.64%
Sci Watauga Town Ctr Fund Etal	10,274,941	3	1.02%	Txu Electric	6,909,772	3	0.95%
Dayton Hudson Corp.	10,561,320	4	1.05%	Weingarten Realty Investors	6,259,690	4	0.86%
Watauga All Storage Ltd.	4,426,183	5	0.44%	Marketplace Partners	6,083,327	5	0.83%
Target Stores	4,076,069	6	0.40%	Watauga Towne Crossing	5,416,316	6	0.74%
Watauga Association	4,007,721	7	0.40%	Ferguson & Thomasson	4,417,763	7	0.61%
Abs Tx Investor Lp	3,365,582	8	0.33%	Watauga Assoc	2,953,953	8	0.40%
Woodcrest Martketplace	3,024,328	9	0.30%	Dayton Hudson Corp	2,930,804	9	0.40%
Leiserv Inc.	2,816,374	10	0.28%	Leiserv Inc.	2,746,509	10	0.38%
<b>Total</b>	<b>\$ 86,226,782</b>		<b>8.55%</b>		<b>\$ 63,744,814</b>		<b>8.75%</b>

**Source: Tarrant Central Appraisal District**

TAD.org ->reports->year->top taxpayers

**NOTE:**

a) Total taxable value including real and personal property for tax year 2009 (FY 2009-10) is \$1,007,779,216

b) Total taxable value including real and personal property for tax year 2001 (FY 2001-2002) is \$730,054,005

Table 8

**CITY OF WATAUGA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
*(Unaudited)*

Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 3,931,269	\$ (2,926)	\$ 3,928,344	\$ 3,884,477	98.88%	40,860	\$ 3,925,337	99.92%
2001	4,243,443	3,179	4,246,622	4,186,286	98.58%	53,836	4,240,122	99.85%
2002	4,703,057	2,623	4,705,680	4,640,662	98.62%	53,934	4,694,595	99.76%
2003	5,070,410	(16,136)	5,054,274	5,009,728	99.12%	37,386	5,047,114	99.86%
2004	5,265,280	(7,570)	5,257,710	5,188,566	98.68%	60,975	5,249,542	99.84%
2005	5,475,746	(30,477)	5,445,269	5,389,470	98.98%	48,720	5,438,190	99.87%
2006	5,743,401	(33,107)	5,710,294	5,678,457	99.44%	21,773	5,700,230	99.25%
2007	5,792,266	(10,973)	5,781,293	5,710,143	98.77%	58,309	5,768,452	99.59%
2008	5,909,897	(26,699)	5,883,198	5,846,868	99.38%	20,215	5,867,083	99.28%
2009	6,022,386	(17,179)	6,005,207	5,951,703	99.11%	31,018	5,982,722	99.63%
2010	5,974,330	n/a	5,974,330	5,914,614	99.00%	n/a	5,914,614	99.00%

Sources: Tarrant County Tax Office and Tarrant Appaisal District

**Table 9**

**CITY OF WATAUGA**  
**Water Revenue**  
**Last Ten Fiscal Years**  
*(Unaudited)*

<b>Fiscal Year</b>	<b>*No of Customers</b>	<b>**Gallons Billed</b>	<b>***Water Revenue</b>
2001	7,822	932,417,647	\$ 3,282,305
2002	8,011	713,789,611	3,828,171
2003	8,044	906,318,604	3,875,295
2004	8,047	812,142,846	3,557,174
2005	8,055	823,771,031	3,706,212
2006	8,202	1,118,858,558	4,452,191
2007	8,133	754,349,657	3,478,711
2008	8,195	806,124,858	3,812,630
2009	8,196	782,558,167	3,809,973
2010	8,162	759,236,412	3,633,149

\*Source: Table 16 - # of Water Consumers as of September 30, 20XX.

\*\*Source: Monthly E-mail sent by L Wells

\*\*\*Source: Comparative Summary of Montly Water Billings

Table 10

**CITY OF WATAUGA**  
**Principal Water Customers**  
**As of September 30, 2010**  
*(Unaudited)*

<u>Customer Name</u>	<u>Gallons Consumed (000)</u>	<u>Total</u>	<u>Dollars Billed</u>	<u>Total</u>
Western Rim Properties	27,704	3.65%	\$ 129,685	3.57%
Daybreak Venture	6,349	0.84%	29,558	0.81%
Harvest Baptist Church	3,776	0.50%	17,664	0.49%
Kwik Kar Wash	3,136	0.41%	14,342	0.39%
TPCMW, INC.	3,024	0.40%	14,151	0.39%
Milan Jariwala	2,223	0.29%	10,438	0.29%
Jagpal Enterprises	1,916	0.25%	8,327	0.23%
Pei Wei Asian Diner	1,751	0.23%	8,240	0.23%
Watauga 377, LLC	1,685	0.22%	7,381	0.20%
Keller ISD	1,636	0.22%	8,002	0.22%
Top Ten Total	<u>53,200</u>	<u>7.01%</u>	<u>\$ 247,788</u>	<u>6.82%</u>
<b>City Total</b>	<u><u>759,236</u></u>		<u><u>\$ 3,633,149</u></u>	

**CITY OF WATAUGA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
*(Unaudited)*

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income <sup>b</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Capital Leases	Other Obligations	Water and Sewer Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Capital Leases			
2001	\$ 11,750,000	\$ -	\$ 2,305,000	\$ 512,321	\$ -	\$ 3,895,000	\$ -	\$ 9,920,000	\$ -	\$ 28,382,321	5.94%	1,290
2002	10,590,000	900,000	2,200,000	462,790	-	3,705,000	-	11,250,000	-	29,107,790	5.83%	1,266
2003	9,340,000	2,985,000	2,090,000	393,456	-	3,510,000	-	10,635,000	-	28,953,456	5.64%	1,219
2004	8,290,000	2,465,000	2,155,000	138,313	-	3,305,000	-	9,990,000	-	26,343,313	4.87%	1,105
2005	7,165,000	7,010,000	2,005,000	-	-	3,095,000	7,025,000	2,335,000	-	28,635,000	5.03%	1,196
2006	5,995,000	6,630,000	1,845,000	-	-	2,875,000	6,985,000	1,615,000	-	25,945,000	4.46%	1,077
2007	5,340,000	9,505,000	1,680,000	-	-	2,645,000	6,940,000	860,000	-	26,970,000	4.78%	1,117
2008	4,860,000	8,765,000	1,515,000	-	900,080	-	8,730,000	660,000	-	25,430,080	4.30%	1,049
2009	4,365,000	7,260,000	1,340,000	-	857,731	-	7,790,000	450,000	-	22,062,731	3.71%	906
2010	3,965,000	7,090,000	1,165,000	-	813,476	-	6,815,000	230,000	-	20,078,476	3.39%	825

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

<sup>b</sup> See Table 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**CITY OF WATAUGA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**  
*(Unaudited)*

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Total		
2000	\$ 12,680,000	\$ -	\$ 12,680,000	2.25%	\$ 576.36
2001	11,750,000	-	11,750,000	1.84%	534.09
2002	10,590,000	900,000	11,490,000	1.57%	499.57
2003	9,340,000	2,985,000	12,325,000	1.48%	518.95
2004	8,290,000	2,465,000	10,755,000	1.20%	450.94
2005	7,165,000	7,010,000	14,175,000	1.51%	591.86
2006	5,995,000	6,630,000	12,625,000	1.28%	523.86
2007	5,340,000	9,505,000	14,845,000	1.48%	614.70
2008	4,860,000	8,765,000	13,625,000	1.34%	561.86
2009	4,365,000	8,000,000	12,365,000	1.20%	507.80
2010	3,965,000	7,090,000	11,055,000	1.10%	455.88

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

<sup>a</sup> See Table 5 for property value data.

<sup>b</sup> Population data can be found in Table 15

Table 13

**CITY OF WATAUGA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2010**  
*(Unaudited)*

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Keller Independent School District	\$ 725,718,509	3.49%	\$ 25,327,576
Birdville Independent School District	237,995,204	7.59%	18,063,836
Tarrant County	353,511,370	0.78%	2,757,389
Tarrant County College	37,444,858	0.89%	333,259
Tarrant County Hospital County	140,197,000	0.89%	<u>1,247,753</u>
Subtotal, overlapping debt			47,729,813
<b>City direct debt</b>			<u>11,055,000</u>
<b>Total direct and overlapping debt</b>			<u>\$ 58,784,813</u>

**Sources:** Debt outstanding data provided by each governmental unit.

<sup>a</sup> For percentage of debt applicable to City, data prepared by the Municipal Advisory Council of Texas.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

**CITY OF WATAUGA  
PLEGGED-REVENUE COVERAGE  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Water and Sewer Revenue Bonds						PDC Sales Tax Revenue Bonds <sup>c</sup>					
	Total Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	Net Available Revenue	Debt Service		Coverage	Total Revenues <sup>a</sup>	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2001	\$ 5,984,003	\$ 4,168,356	\$ 1,815,647	\$ 170,000	\$ 191,187	5.03	\$ 1,059,474	\$ 309,421	\$ 750,053	\$ 100,000	\$ 137,161	3.16
2002	6,590,771	4,259,215	2,331,556	180,000	182,875	6.43	1,081,430	499,921	581,509	105,000	131,661	2.46
2003	6,781,216	4,625,017	2,156,199	190,000	174,087	5.92	940,050	688,573	251,477	110,000	125,886	1.07
2004	6,599,272	4,519,757	2,079,515	200,000	164,825	5.70	1,170,443	704,123	466,320	115,000	92,978	2.24
2005	7,026,001	4,822,040	2,203,961	210,000	145,340	6.20	1,158,139	603,599	554,540	150,000	65,597	2.57
2006	7,371,716	5,160,165	2,211,551	220,000	136,630	6.20	1,268,980	770,821	498,159	160,000	56,536	2.30
2007	6,582,387	4,867,495	1,714,892	230,000	127,290	4.80	1,298,971	601,253	697,718	165,000	52,386	3.21
2008 d	7,006,217	5,264,881	1,741,336	2,645,000	61,230	0.64	1,351,870	716,715	635,155	165,000	48,880	2.97
2009 d				-	-		1,265,352	627,100	638,252	175,000	44,946	2.90
2010 d				-	-		1,314,130	632,039	682,091	175,000	40,461	3.17

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
Source: Comprehensive Annual Reports and Official Statement

<sup>a</sup> Includes operating and non-operating revenues

<sup>b</sup> Excludes depreciation, amortization, interest expense and expenditures identified as capital

<sup>c</sup> Bonds are solely supported by a 1/2 cent sales tax approved at an election held in May, 1994 for the purpose of the City Parks and Recreation.

<sup>d</sup> In April, 2008, the City issued \$2,430,000 in GO Refunding Bonds to refund \$2,400,000 of outstanding Series 1996 Waterworks and Sewer System Revenue Bonds.

Table 15

**CITY OF WATAUGA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Calendar Years**  
*(Unaudited)*

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income(3)</u>	<u>Median Age(4)</u>	<u>School Enrollment(5)</u>	<u>Unemployment Rate(6)</u>
2000	22,000	\$ 437,184	\$ 19,872	31.7	2,804	1.7%
2001	22,000	477,466	21,703	n/a	2,599	2.5%
2002	23,000	499,169	21,703	n/a	2,599	3.4%
2003	23,750	513,380	21,616	n/a	2,582	3.7%
2004	23,850	540,942	22,681	n/a	2,615	3.0%
2005	23,950	569,220	23,767	n/a	2,979	2.7%
2006	24,100	581,340	24,122	32.4*	3,767	3.0%
2007	24,150	563,903	23,350	31.0	4,593	4.1%
2008	24,250	591,870	24,407	32.0	5,396	3.3%
2009	24,350	594,310	24,407	32.0	4,428	4.9%
2010	24,250	591,870	24,407	32.0	3,735	8.1%

Sources: (1)Year 2000 Population is official U.S. Census Bureau count. Other population estimates from North Central Council of Governments. (2) Per Capita income obtained from Sourcebook of Zip code Demographics and Easy Analytic Software Inc (EASI) and Applied Geographic Solutions (AGS). (3) Per Capita personal income calculated by dividing PIT(2) by Pop(1). 2008 Estimate from www.city-data.com. 2010 Estimate based on 2008 data. (4) Median Age from 2000 Census, 2006 estimated by Site on Texas Demographics (5) School Enrollment provided by Birdville and Keller Independent School Districts (6) Unemployment Rates from Texas Workforce Commission

\*Estimated median age provided by Site on Texas, based on 2000 census data

Table 16

**CITY OF WATAUGA  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago  
(Unaudited)**

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment(2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>
Target	280	1	4.93%	n/a	n/a	n/a
Harvest Baptist	210	5	3.70%	185	1	5.82%
Birdville ISD	200	2	3.52%	167	3	5.25%
Albertson's	190	3	3.35%	180	2	5.66%
City of Watauga	190	4	3.35%	106	4	3.33%
North Pointe Health & Rehab	122	6	2.15%	n/a	n/a	n/a
Keller ISD	90	7	1.59%	43	5	1.35%
Fresco's	80	9	1.41%	n/a	n/a	n/a
Chili's Grill & Bar	80	8	1.41%	n/a	n/a	n/a
Cotton Patch Café	50	10	0.88%	n/a	n/a	n/a
<b>Total</b>	<b>1,492</b>		<b>26.29%</b>	<b>681</b>		<b>21.42%</b>

**Source:**

- (1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification
- (2) For 2010, used total 2007 City Employment estimated at 5,676 obtained from SitesOnTexas, Demographic data for 2006 by Experien/Applied Geographic Solutions
- (3) For 2001, used Total 1999 City Employment of 3,179 obtained from Zip Code Business Patterns (<http://censtats.census.gov/cgi-bin/zbpnaic/zbpsect.pl>)

Table 17

**CITY OF WATAUGA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**  
*(Unaudited)*

<u>Function/Program</u>	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government and Administration	28.00	31.00	32.50	30.25	30.58	30.75	28.75	29.75	30	30
Public Safety										
Police Division	42.50	50.00	52.97	56.00	50.25	50.25	54.25	58.75	58.75	58.75
Fire/EMS Division	6.00	6.00	7.03	8.00	15.00	16.50	21.50	22.00	22.00	22.00
Culture and Recreational	6.50	10.25	9.25	11.25	10.50	10.50	10.50	10.50	10.50	10.50
Library	10.50	10.75	11.25	11.25	12.25	12.75	12.75	13.25	13.25	13.25
Water/Sewer/Drainage	27.75	30.50	32.50	32.75	33.50	33.75	33.75	33.75	33.75	33.75
Fleet Services	-	-	2.00	2.00	2.00	3.00	3.00	4.00	4.00	4.00
Building	3.00	3.00	3.00	4.00	5.00	6.00	6.00	7.00	8.00	8.00
Parks Development	7.50	7.75	11.75	11.75	10.50	10.50	10.50	11.50	11.50	11.50
<b>Total</b>	<b>131.75</b>	<b>149.25</b>	<b>162.25</b>	<b>167.25</b>	<b>169.58</b>	<b>174.00</b>	<b>181.00</b>	<b>190.50</b>	<b>191.75</b>	<b>191.75</b>

Source: City Budget Office

Table 18

**CITY OF WATAUGA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police										
Calls for Service	3,600	4,439	4,848	5,984	22,422	23,215	23,591	11,726	13,532	16,804
Municipal Citations Issued	N/A	N/A	N/A	N/A	8,294	9,656	10,468	15,115	8,792	11,963
Fire/EMS										
EMS Calls	850	900	949	1,000	1,018	1,110	1,202	1,375	966	1,082
EMS Average Response Time (min)	7.00	7.00	7.00	7.00	3.54	3.76	3.97	4.00	3.31	3.50
Ambulance Transports	616	675	702	740	710	753	806	1,030	743	870
Fire Calls	215	250	323	322	401	416	431	430	652	690
Fire Average Response Time (min)	N/A	3.25	3.08	3.16	3.75	4.25	4.10	4.00	3.58	2.58
Fire Inspections	530	300	325	375	55	60	65	75	198	269
Public Works										
Lane Miles Maintained	78	84	84	84	84	84	84	84	84	88
Miles of Curb and gutter maintained	157	168	168	168	168	168	168	168	168	168
Parks and recreation										
Park Acres Maintained	169	122	122	116	116	116	116	116	116	119
Athletic Fields Maintained	N/A	N/A	N/A	3	5	8	8	13	13	8
Community Center Memberships	N/A	N/A	2,779	2,540	1,600	1,800	2,300	2,800	1,267	1,372
Program/Class/League Attendance	3,000	19,357	29,639	20,443	31,982	87,351	40,741	77,000	56,430	40,938
Library										
Number of Programs Offered	325	325	330	355	350	437	355	380	655	693
Number of School Visits	8	7	7	8	15	11	8	8	18	8
Number of Books in Collection	36,992	38,407	42,971	44,830	49,866	52,415	58,147	62,131	62,150	65,517
Number of Media in Collection	7,527	7,884	6,465	7,451	8,472	15,013	12,037	14,007	15,247	16,389
Electronic Format Materials	11	8	4	6	6	13	58	58	85	53
Water and Sewer										
Number of Water Consumers	7,822	8,011	8,028	8,084	8,055	8,202	8,133	8,195	8,181	8,162
Average daily consumption (mil gal)	3	3	2	2	2	3	2	2	2	2
Amt of sewer line inspected (Linear Ft)	9,000	8,000	9,000	8,900	15,000	5,136	10,000	10,000	10,000	10,000

**Sources:** Various city departments.

**Note:** Indicators are not available for the general government function.

Table 19

**CITY OF WATAUGA  
CAPITAL ASSETS BY FUNCTION/PROGRAM  
Last Ten Fiscal Years  
(Unaudited)**

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	12	12	12	12	12	12	12	12
Animal Control Facility							1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	84.0	84.0	84.0	84.0	84.0	85.0	85.0	85.0	85.0	85.0
Streetlights	703	703	703	703	703	703	703	703	703	703
Traffic signals	N/A	N/A	N/A	11	11	11	11	11	11	11
Parks and recreation										
Acreage (Developed & Undeveloped)	123	123	124	124	124	124	124	124	124	124
Parks	9	9	10	10	10	10	10	10	10	10
Athletic Fields	5	5	5	5	5	8	8	8	8	8
Senior Centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	84.0	84.0	84.0	84.0	84.0	85.0	85.0	85.0	85.0	85.0
Fire hydrants	N/A	N/A	N/A	N/A	N/A	620	620	620	620	620
Storage capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shared Ground Storage (owned by NRH)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Wastewater										
Storm sewers (miles)	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Sanitary sewers (miles)	84	84	84	84	84	85	85	85	85	85

**Sources:** Various city departments.