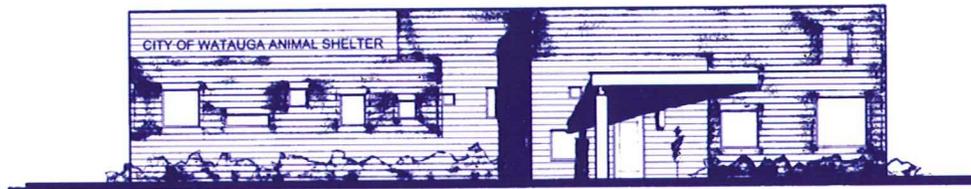


*CITY OF WATAUGA, TEXAS  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT*



*FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2007*

**CITY OF WATAUGA, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED  
SEPTEMBER 30, 2007**

**PREPARED BY**

**THE CITY OF WATAUGA**

**FINANCE DEPARTMENT**

**CITY OF WATAUGA, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2007**

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**CITY OF WATAUGA, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**



February 22, 2008

To the Honorable Mayor, Members of the City Council, and 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, 2007.

**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.

The City of Watauga financial statements have been audited by Weaver and Tidwell, L.L.P., a firm of licensed certified public accounts. 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, 2007, 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. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Watauga' financial statements for the fiscal year ended September 30, 2007, 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, 2007. The Comprehensive Annual Financial Report 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 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 and Tidwell, L.L.P.

**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, 2007.

**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 24,150 as of January 1, 2007.

A further analysis of the City's population and housing characteristics is presented in the following summary from the 2000 Census Summary Tape File 1:

Total Population:	21,908	
Sex:		
Male	10,840	49.5%
Female	11,068	50.5%
Age:		
Under 5 years	1,881	8.6%
5 to 19 years	5,755	26.3%

20 to 34 years	4,701	21.5%
35 to 54 years	7,137	32.6%
55 to 64 years	1,403	6.4%
Over 65 years	1,031	4.7%
Median Age	31.6	
Race:		
White	19,072	87.1%
Black or African-American	498	2.3%
Asian & Pacific Islander	1,704	7.8%
American Indian, Eskimo, Aleut	140	.6%
Two or More Races	489	2.2%
Occupied Housing Units:		
Owner occupied	6,106	85.5%
Renter occupied	1,039	14.5%
Average Household Size:	3.04	
Vacant Housing Units:	130	
Total Housing Units:	7,275	

**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 eight Council members are elected by place number. Due to an amendment in the home rule charter in 1996, the term of office has been changed from two-year terms to three-year terms. However, another amendment changed it back to two-year terms in 2005. 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.

**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 manages its Drainage and Water & Sewer

Systems for both enterprise funds.

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.

The Crime Control and Prevention District Fund was established to account for a ½ cent sales tax increase approved by voters in March 1996. By May 2001, the voters approved that the District be continued for a ten-year term (2011). 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 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 or account groups, 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, 2007, fifteen separate funds were in use: the General Fund which is used to account for all financial resources except those accounted for in another fund, the Debt Service Fund is used to account for resources used in the payment of principal and interest on the City's general obligation bonds and other general indebtedness, the Capital Projects Fund is 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, a Water/Sewer Operating Fund used to account for revenues and expenses related to the Water/Sewer utility system, a Water/Sewer Construction fund used to finance construction costs on authorized utility projects, six 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, the ½ cent sales tax increase approved by voters in March, 1996 for crime control and prevention, a fund to account for public donations made to the City specifically for the benefit of the public library, and a \$3 per offense fee approved by council in 1998-99 to be used for updating the Municipal Court security, a \$4 per offense fee approved by council in 1999 to be used for updating technology in the Municipal Court, the Park Vista Fund to account for four acres of land annexed by the City, a Parks

Development Corporation Construction fund used to account for the acquisition of 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 May 7, 2005, 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. 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. 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 33rd anniversary in 2007 covers approximately 29.8 square miles and represents one of the largest facilities of its kind in the world.

Within the City of Watauga, although decreasing due to expected build out, new building permit issuance remained strong. Property values have continued to grow. Total taxable value for all residential and commercial property in the City of Watauga was over \$1 billion for fiscal year 2006-07. The taxable values for FY2007 were also a 1.7% increase over the prior year. Additionally, the Durham Addition, which is the 90-home residential project, is still under development at this time and is expected to be fully built and occupied by the end of next year. Sales tax collections increased slightly from prior year collections. The City is anticipating sales tax revenues to increase slightly over this year with hopes of a continued strong economy. In addition, Watauga's sales tax figures are at the highest levels they have ever been, mainly due to significant retail development in recent years, like the Watauga Pavilion. As mentioned the last five years in this report, Watauga Pavilion at the corner of U.S. 377 and Starnes opened with over 190,000 square feet of retail space. Many of the stores have been operating for over four years and continue to stimulate Watauga's economy. Additionally, 4.4 acres of land, located east of the Watauga Towne Center was developed into 'Garden' offices.

This new development is one of the last of its kind for the City of Watauga. Approximately 155.3 acres of Watauga's total 2,648.7 acres remain undeveloped. Therefore, approximately only 6 percent of Watauga remains for future development. Land use assumptions help set our maximum population expectation to not much more than 25,000 residents. Although this growth assists with increased revenues in taxes and charges for services, expanded services for streets and utility needs will also increase.

**Future Plans.** The City of Watauga intends to continue with an orderly and well-planned program of community service in fiscal year 2007-08 and subsequent years. Working within the framework of current financial constraints, the City also intends to continue the construction of the new Police Facility and Starnes Road reconstruction, and continue to move the Police and Fire Departments toward a more professional organization that is better equipped to serve and protect the public now that they are two separate departments. Future construction plans include a new fire station and continued street reconstructions.

**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, is compliant with State law, and 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 its portfolio. The City's investment policy also stipulates the types of financial institutions with which the City may make investments and established specific collateral and safekeeping requirements.

At the end of fiscal year 2007, 2.2% of all non-depository investments were in fixed term maturities, while the remainder was in local government pools. The averaged weighted maturity of these investment pools ranged from 21 days to 73 days. The average yield invested in during fiscal year 2007 was 5.1266%.

**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 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 state-wide Texas Municipal Retirement System (TMRS), one of over 811 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, 2006. 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-two

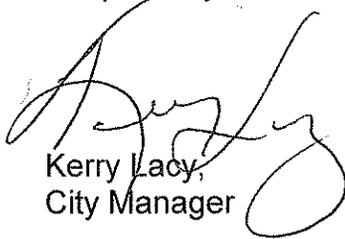
consecutive years. We believe that our current comprehensive annual financial report continues to meet to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Watauga also received the GFOA's Distinguished Budget Presentation Award for the annual budget document beginning October 1, 2006. This is the eighteenth 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.

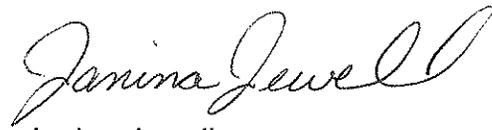
The City of Watauga has also received its third consecutive Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The Government Treasurer's Organization of Texas conducts an Investment Policy Certification program, which is designed to provide professional 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 49 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,  
City Manager



Janina Jewell  
Director of Finance

CITY OF WATAUGA, TEXAS  
PRINCIPAL OFFICIALS AS OF  
SEPTEMBER 30, 2007

Elected Officials

Mayor	Henry J. Jeffries
Council Member Place 1	Ernest P. Koontz
Council Member Place 2	Richard Helmick
Council Member Place 3	Mike Steele
Council Member Place 4	Roy Meyers
Mayor Pro Tem Council Member Place 5	Seth Thomas
Council Member Place 6	Lee Griffin
Council Member Place 7	Jerry Adams

Appointed Officials

City Manager	Kerry Lacy
City Attorney	Mark G. Daniel
City Secretary	Daniela Place
Public Works Director	Johnnie Reagan
Library Director	Martha Chambers
Parks and Community Services Director	Sal Torres
Finance Director	Janina Jewell
Police Chief	Rande Benjamin
Fire Chief	Bill Crawford

# 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, 2006

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.



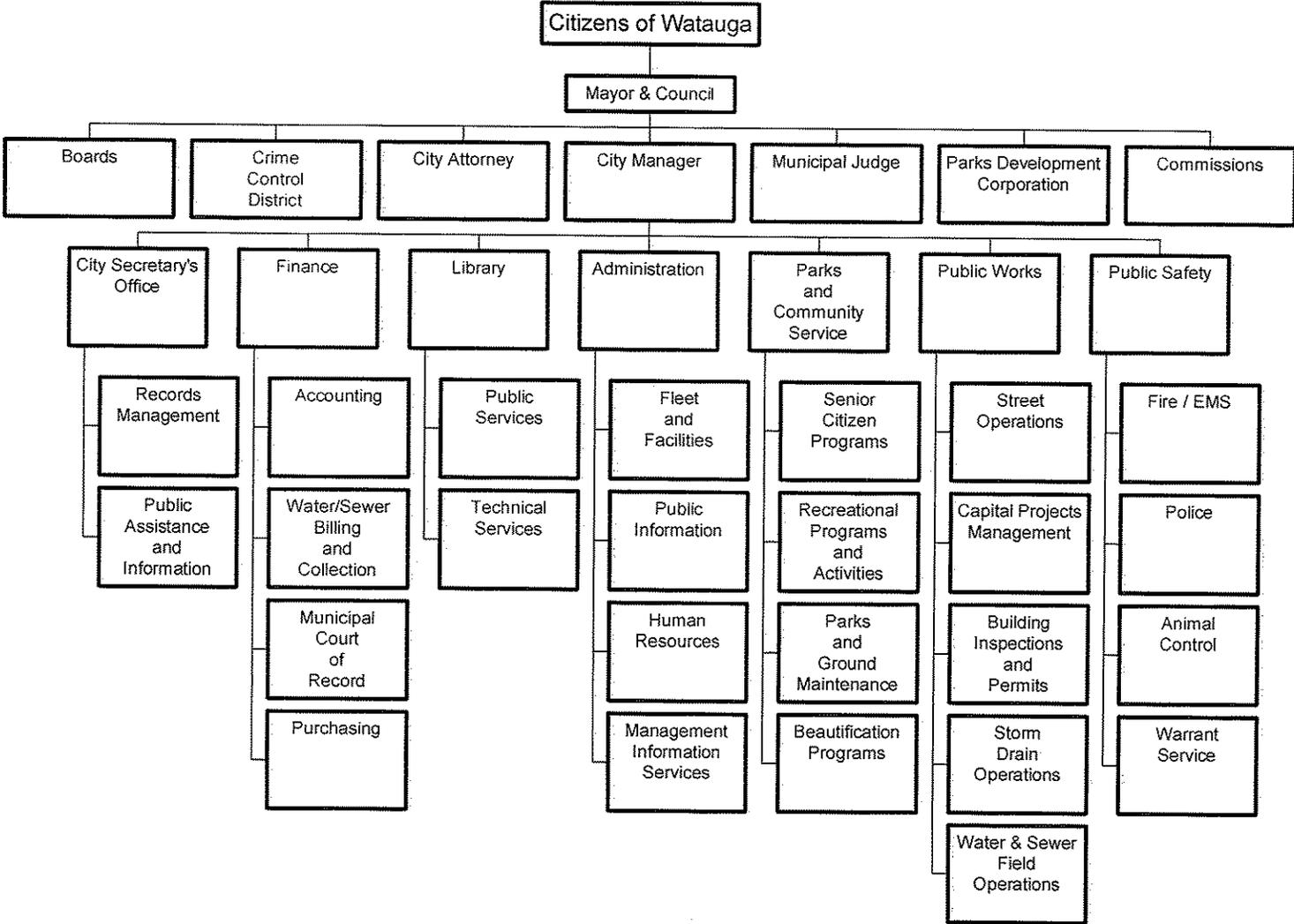
*Oliver S. Cox*

President

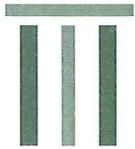
*Jeffrey R. Emswiler*

Executive Director

# CITY OF WATAUGA ORGANIZATIONAL CHART



## **FINANCIAL SECTION**



**WEAVER  
AND  
TIDWELL**

*L.L.P.*

CERTIFIED PUBLIC  
ACCOUNTANTS  
AND CONSULTANTS

## 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, 2007, 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, 2007, 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.

The management's discussion and analysis, the analysis of funding progress and budgetary comparison information on pages 3 through 12 and 44 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Suite 300  
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WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF  
BAKER TILLY  
INTERNATIONAL

DALLAS

OFFICES IN  
FORT WORTH

HOUSTON

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

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, TX  
February 22, 2008

## **CITY OF WATAUGA, TEXAS**

### **Management's Discussion and Analysis**

For the Year Ended September 30, 2007

(Unaudited)

As management of the City of Watauga, we 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, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report and the statistical section (pages 59-79) as well as information on the annual budget and other community information found on the city's website at [www.ci.watauga.tx.us](http://www.ci.watauga.tx.us). It should be noted that the Independent Auditor's Report describes the auditors' 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**

- The assets of the City of Watauga exceeded its liabilities at the close of the most recent fiscal year by \$57,304,827 (Net assets). Of this amount, \$12,969,878 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,451,907. This is primarily due to net revenues.
- As of the close of the current fiscal year, the City of Watauga's governmental funds reported combined ending fund balances of \$17,483,359, an increase of \$3,717,366 or 27% in comparison with the prior year's fund balance. This substantial increase is primarily due to the issuance of \$3,400,000 in Certificates of Obligation (C.O.) for various projects, thus increasing the cash balance within the Capital Projects Fund at the year's end. Approximately 97% of this total combined fund balance is available for spending at the government's discretion (unreserved fund balance). Some of these unreserved fund balances must be spent for legally designated purposes and others are required by the governing body to be held as a required or targeted reserve level.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,194,404 or 73% of total general fund expenditures.
- The City's total long-term debt payable increased by \$1,025,000 primarily due to new issuance of \$3,400,000 in C.O.'s, but is partially offset by a combination of bond refundings and ongoing principal payments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended 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 of Watauga 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 principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, and public works. The business-type activities of the City include water and 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 and the Watauga Crime Control District, which are legally separate but financially accountable to the City. 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.

The government-wide financial statements can be found on pages 13-14 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Watauga, 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 funds, (2) proprietary funds, and an (3) internal service fund.

**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 fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, and Capital Projects funds, all of which are considered to be major funds. Data from the other 9 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 for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

**Proprietary funds.** The City maintains two major different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and 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 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. This fund is being slowly removed from the City books as liabilities are removed. Individual funds are responsible for their own equipment replacement.

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 and sewer and drainage, all 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 19-23 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 24-43 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 can be found on page 44-46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 47-58 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2007, the City of Watauga' assets exceeded liabilities by \$57,304,827.

The largest portion of the City's net assets (76%) reflects its investment in capital (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Watauga's Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Current and Other Assets	\$ 19,369,484	\$ 15,669,427	\$ 6,724,588	\$ 6,647,826	\$ 26,094,072	\$ 22,317,253
Capital Assets	<u>36,218,681</u>	<u>35,114,432</u>	<u>25,614,232</u>	<u>25,907,918</u>	<u>61,832,913</u>	<u>61,022,350</u>
<b>Total Assets</b>	<b>\$ 55,588,165</b>	<b>\$ 50,783,859</b>	<b>\$ 32,338,820</b>	<b>\$ 32,555,744</b>	<b>\$ 87,926,985</b>	<b>\$ 83,339,603</b>
Long-Term Liabilities Outstanding	\$ 17,781,122	\$ 15,199,233	\$ 10,139,227	\$ 11,184,227	\$ 27,920,349	\$ 26,383,460
Other Liabilities	<u>950,169</u>	<u>1,436,493</u>	<u>1,751,640</u>	<u>1,666,730</u>	<u>2,701,809</u>	<u>3,103,223</u>
<b>Total Liabilities</b>	<b>\$ 18,731,291</b>	<b>\$ 16,635,726</b>	<b>\$ 11,890,867</b>	<b>\$ 12,850,957</b>	<b>\$ 30,622,158</b>	<b>\$ 29,486,683</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 28,537,832	\$ 27,094,685	\$ 15,225,107	\$ 14,432,918	\$ 43,762,939	\$ 41,527,603
Restricted	367,219	306,627	204,791	32,120	572,010	338,747
Unrestricted	<u>7,951,823</u>	<u>6,746,821</u>	<u>5,018,055</u>	<u>5,239,749</u>	<u>12,969,878</u>	<u>11,986,570</u>
<b>Total Net Assets</b>	<b><u>\$ 36,856,874</u></b>	<b><u>\$ 34,148,133</u></b>	<b><u>\$ 20,447,953</u></b>	<b><u>\$ 19,704,787</u></b>	<b><u>\$ 57,304,827</u></b>	<b><u>\$ 53,852,920</u></b>

An additional portion of the City's net assets (0.10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,969,878) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2007, 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 \$3,451,907 in total net assets during the fiscal year as mentioned above. This is primarily due to revenues exceeding expenses. Specifically, governmental activities had strong revenue increases over the previous year's revenues while net expenses remained stable. Business-type activities had lower revenues and related expenses than prior year, but the decrease in water sewer revenue was offset by an increase in interest earnings, thus ending the year with an increase in total net assets.

**Governmental activities.** Governmental activities increased the City's net assets by \$2,708,741, thereby accounting for 79% of the total growth in the net assets. Key elements of this increase are as follows:

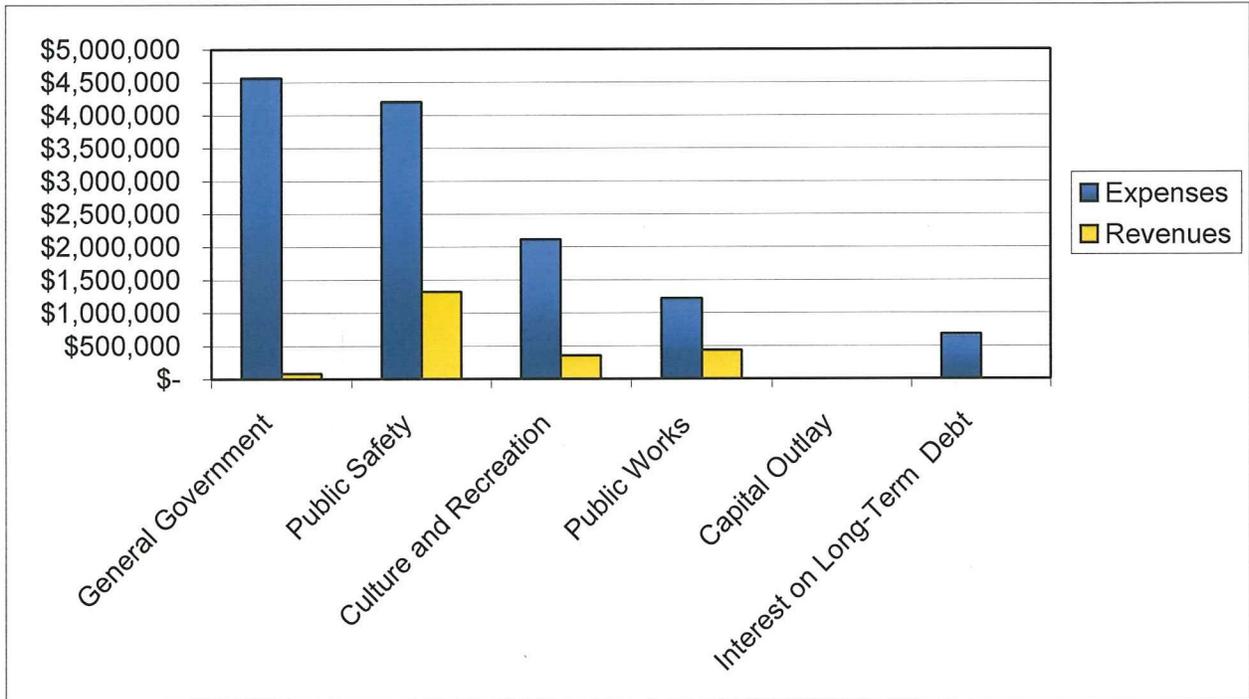
- Investment earnings increased \$193,883 due to an increase in the size of city's investment portfolio and an increase in the weighted average yield maintained during the fiscal year. This accounted for 7% of the total increase.
- Fees, Fines and Charges accounted for \$403,923 or 15% of this increase. There was an increase in ambulance rates effective November 2006, resulting in an increase in ambulance revenue for the year. In addition, licenses, permit fees and fines and forfeitures increased from prior year.
- Sales Tax increased \$260,460 from prior year, accounting for 10% of the total increase.
- For the most part, increases in expenditures are largely related to the increased staffing in Public Safety and increased needs in general government expenditures.

**Business-type activities.** Business-type activities increased the City's net assets by \$743,166, accounting for the other 21% of the total growth in net assets. Water and Sewer revenues decreased by \$660,031 due to a decrease in total consumption caused by excessive rainfall during the year. However, this decrease in revenues was offset by a decrease in Water and Sewer operating expenses and an increase in investment earnings.

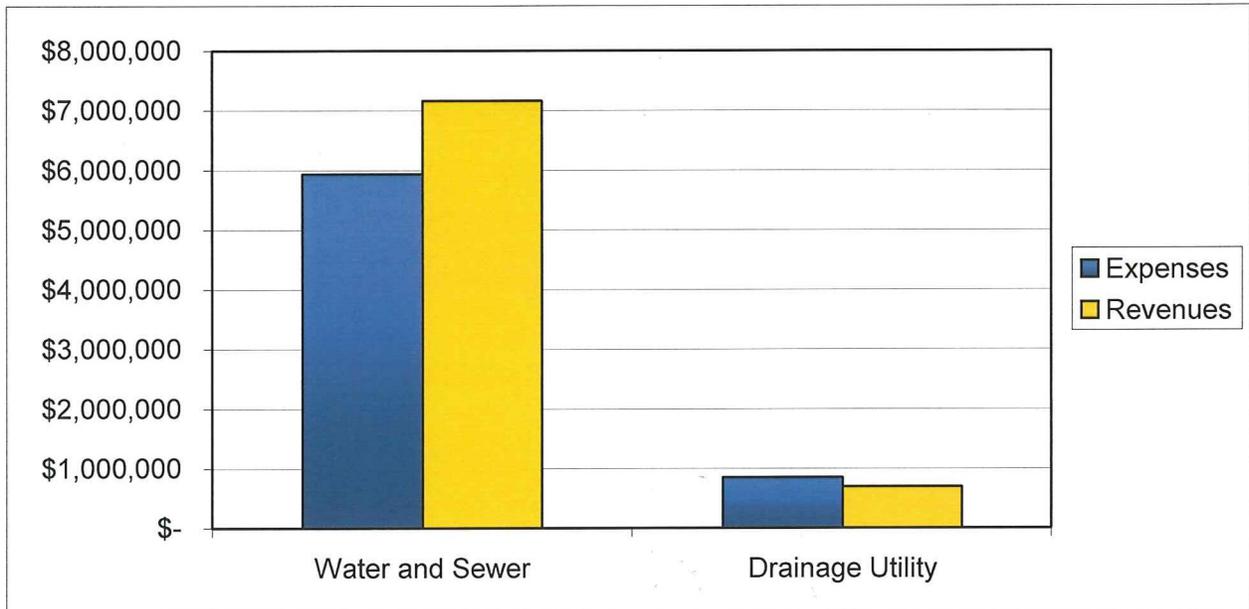
## City of Watauga's Changes in Net Assets

Revenues	Governmental Activities		Business-type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
<b>Program Revenues</b>						
Fees, Fines and Charges for Services	\$ 1,764,560	\$ 1,360,637	\$ 7,192,798	\$ 7,852,829	\$ 8,957,358	\$ 9,213,466
Operating Grant and Contributions	105,464	110,066	-	-	105,464	110,066
<b>General Revenues</b>						
Property Taxes	5,747,974	5,712,275	-	-	5,747,974	5,712,275
Sales Taxes	5,017,072	4,756,612	-	-	5,017,072	4,756,612
Franchise Taxes	940,273	964,868	-	-	940,273	964,868
Payment in Lieu of Taxes	357,899	353,623	-	-	357,899	353,623
Penalties and Interest	46,461	49,306	-	-	46,461	49,306
Interest on Investments	817,791	623,908	310,789	234,956	1,128,580	858,864
Gain on Sales of Assets	-	-	-	-	-	-
Miscellaneous	-	23,078	-	-	-	23,078
<b>Total Revenues</b>	<b>\$ 14,797,494</b>	<b>\$ 13,954,373</b>	<b>\$ 7,503,587</b>	<b>\$ 8,087,785</b>	<b>\$ 22,301,081</b>	<b>\$ 22,042,158</b>
<b>Expenses</b>						
General Government	\$ 4,248,954	\$ 3,870,921	\$ -	\$ -	\$ 4,248,954	\$ 3,870,921
Public Safety	4,193,729	3,512,750	-	-	4,193,729	3,512,750
Culture and Recreation	2,111,068	2,104,990	-	-	2,111,068	2,104,990
Public Works	1,217,456	1,739,658	-	-	1,217,456	1,739,658
Capital Outlay	-	479,000	-	-	-	479,000
Interest on Long-Term Debt	675,445	690,563	-	-	675,445	690,563
Water and Sewer	-	-	5,478,534	5,932,341	5,478,534	5,932,341
Drainage Utility	-	-	923,988	848,280	923,988	848,280
<b>Total Expenses</b>	<b>\$ 12,446,652</b>	<b>\$ 12,397,882</b>	<b>\$ 6,402,522</b>	<b>\$ 6,780,621</b>	<b>\$ 18,849,174</b>	<b>\$ 19,178,503</b>
Increase in Net Assets Before Transfers	\$ 2,350,842	\$ 1,556,491	\$ 1,101,065	\$ 1,307,164	\$ 3,451,907	\$ 2,863,655
Transfers	357,899	149,112	(357,899)	(149,112)	-	-
Increase in Net Assets	2,708,741	1,705,603	743,166	1,158,052	3,451,907	2,863,655
Net Assets 9/30 Prior Year	34,148,133	32,442,530	19,704,787	18,546,735	53,852,920	50,989,265
Prior Period Adjustment	-	-	-	-	-	-
<b>Net Assets 9/30 Current Year</b>	<b>\$ 36,856,874</b>	<b>\$ 34,148,133</b>	<b>\$ 20,447,953</b>	<b>\$ 19,704,787</b>	<b>\$ 57,304,827</b>	<b>\$ 53,852,920</b>

**Expenses and Program Revenues – Governmental Activities**



**Expenses and Program Revenue – Business-type Activities**



**Financial Analysis of the Government’s Funds**

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

**Governmental funds.** The 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 combined ending fund balance of \$17,483,359, an increase of \$3,717,366 in comparison with the prior year. Approximately 48% constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has already been committed 1) to pay debt service (\$453,327), 2) to pay for specific capital improvements per development agreements (\$7,944,067), and 3) for a variety of other restricted purposes (\$681,149).

The general fund is the chief operating fund of the City. The City of Watauga budgeted and planned for a decrease in fund balance for fiscal year 2006-07 of \$666,338 for the general fund. However, due to stronger revenues and expenditure savings (Personnel cost, insurance premiums, contingency funds), the fund balance has increased by a net \$935,481. The G.O. Capital Projects Fund increased its fund balance by \$2,422,005 over prior year primarily due to a \$3,400,000 bond issuance during the year to be used for the renovation and expansion of the police facility, street improvements and other capital projects such as a new fire station.

**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 and Sewer - \$4,231,746, and Drainage Utility - \$574,680. The water and sewer fund had a net asset increase of \$994,804. The drainage utility has a net asset decrease of \$237,044.

### **General Fund Budgetary Highlights**

The City Council did not have any budget adjustments during Fiscal Year 2006-07.

### **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, 2007, amount to \$61,832,913 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's capital asset investment for the current fiscal year was \$811,039. This was comprised of a 3% increase in governmental activities and a 1.1% increase for business type activities.

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

- The Watauga Animal Shelter, as seen on the cover of this document, was completed and therefore moved from Construction in Progress to Buildings.
- Over \$450,000 was invested in the City's continual street overlay program. The sidewalks program improved by \$96,698 during this fiscal year.
- The Indian Springs soccer field project is now complete. Therefore, in addition to the \$175,160 spent this year, \$493,581 from Construction in Progress was also capitalized and moved into Buildings and Improvements.

- The Starnes Road reconstruction project from U.S. 377 to Pebblebrook began and \$132,367 was added to CIP for FY07 expenditures. This project is expected to be completed in FY2008.
- The Library expansion was completed during FY2007, thus capitalizing a total of \$1,254,681 in Building and Improvements. Of this amount, \$148,629 was moved from CIP into Buildings.
- The \$3.7 million Police Facility expansion/remodel began and expenses for the year totaled \$160,891 and was added to CIP.

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

	Governmental Activities		Business-type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
<b>NET ASSETS</b>						
Land	\$ 18,504,112	\$ 18,504,112	\$ 91,000	\$ 91,000	\$ 18,595,112	\$ 18,595,112
Buildings and Improvements	9,774,766	8,075,760	2,684,966	2,742,280	12,459,732	10,818,040
Improvements Other than Buildings	9,133	9,333	-	-	9,133	9,333
Equipment	2,013,475	2,144,734	375,171	306,688	2,388,646	2,451,422
Drainage Improvements	-	-	10,961,075	11,278,976	10,961,075	11,278,976
Infrastructure	5,623,937	5,735,440	-	-	5,623,937	5,735,440
Waterworks and Sanitary Sewer System	-	-	11,502,020	11,488,498	11,502,020	11,488,498
Construction in Progress	293,258	645,053	-	-	293,258	645,053
<b>Total</b>	<b>\$ 36,218,681</b>	<b>\$ 35,114,432</b>	<b>\$ 25,614,232</b>	<b>\$ 25,907,442</b>	<b>\$ 61,832,913</b>	<b>\$ 61,021,874</b>

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 bonded debt outstanding of \$26,695,206. Of this amount, \$22,645,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, \$4,106,081, represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

## City of Watauga's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
General Obligation Bonds	\$ 5,340,000	\$ 5,995,000	\$ 6,940,000	\$ 6,985,000	\$ 12,280,000	\$ 12,980,000
Certificates of Obligation	9,505,000	6,630,000	860,000	1,615,000	10,365,000	8,245,000
Revenue Bonds	1,461,081	1,751,436	2,645,000	2,875,000	4,106,081	4,626,436
Capital Lease Obligations	-	-	-	-	-	-
Deferred loss on Refunding	-	-	(55,875)	(60,773)	(55,875)	(60,773)
<b>Total</b>	<b>\$ 16,306,081</b>	<b>\$ 14,376,436</b>	<b>\$ 10,389,125</b>	<b>\$ 11,414,227</b>	<b>\$ 26,695,206</b>	<b>\$ 25,790,663</b>

The City's total debt increased by \$904,543 during the current fiscal year. This increase is due to the issuance of \$3,400,000 in C.O.'s, but is partially offset by regularly scheduled annual principal payments and refundings.

The City maintains a Standard and Poor's rating on Watauga's General Obligation debt outstanding of "A+".

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 does not plan on increasing any rates during fiscal year 2007-08. In fact, the property tax rate remained at \$.580763 per \$100 valuation. Although the City is almost built out due to a lack of undeveloped property, as mentioned in the letter of transmittal, we do forecast a slight increase in sales tax collections.

Expenses for the general fund are expected to increase primarily because of increased transfers to Capital Projects and personnel costs due to increases in benefits and personnel with the addition of 7 new positions for fiscal year 2007-08.

Water and sewer fund revenues are expected to be relatively flat with fiscal year 2006-07 year end totals. 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: Director of Finance, at 7105 Whitley Road, Watauga, Texas 76148, call (817) 514-5822, or e-mail smorgan@cowtx.org.

**CITY OF WATAUGA, TEXAS  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,891,575	\$ 5,542,406	\$ 22,433,981
Investments	491,700	-	491,700
Receivables (net of allowances for uncollectibles)	1,366,316	819,549	2,185,865
Internal balances	289,854	(289,854)	-
Prepays and deposits	8,747	22,659	31,406
Inventory of supplies	58,215	-	58,215
Restricted cash and cash equivalents	-	459,996	459,996
Deferred charges	263,077	169,832	432,909
Capital assets:			
Land	18,504,112	91,000	18,595,112
Buildings and improvements	9,774,766	2,684,966	12,459,732
Improvements other than buildings	9,133	-	9,133
Equipment	2,013,475	375,171	2,388,646
Drainage improvements	-	10,961,075	10,961,075
Infrastructure	5,623,937	-	5,623,937
Waterworks and sanitary sewer system	-	11,502,020	11,502,020
Construction in progress	293,258	-	293,258
Total Assets	<u>55,588,165</u>	<u>32,338,820</u>	<u>87,926,985</u>
<b>LIABILITIES</b>			
Accounts payable	122,374	402,088	524,462
Accrued liabilities	745,259	269,384	1,014,643
Deposits	44,902	790,192	835,094
Payable from restricted assets			
Revenue bonds payable	-	249,898	249,898
Accrued interest	-	40,078	40,078
Unearned revenue	37,634	-	37,634
Noncurrent liabilities:			
Due within one year	1,623,108	840,000	2,463,108
Due in more than one year	16,158,014	9,299,227	25,457,241
Total Liabilities	<u>18,731,291</u>	<u>11,890,867</u>	<u>30,622,158</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,537,832	15,225,107	43,762,939
Restricted for debt service	367,219	204,791	572,010
Unrestricted	7,951,823	5,018,055	12,969,878
Total Net Assets	<u>\$ 36,856,874</u>	<u>\$ 20,447,953</u>	<u>\$ 57,304,827</u>

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, 2007

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	\$ 4,248,954	\$ 84,299	\$ -	\$ -	\$ (4,164,655)	\$ -	\$ (4,164,655)
Public safety	4,193,729	996,169	-	-	(3,197,560)	-	(3,197,560)
Culture and recreation	2,111,068	247,893	105,464	-	(1,757,711)	-	(1,757,711)
Public works	1,217,456	436,199	-	-	(781,257)	-	(781,257)
Interest on Long-term Debt	675,445	-	-	-	(675,445)	-	(675,445)
Total governmental activities	<u>12,446,652</u>	<u>1,764,560</u>	<u>105,464</u>	<u>-</u>	<u>(10,576,628)</u>	<u>-</u>	<u>(10,576,628)</u>
Business-type activities:							
Water and sewer	5,478,534	6,499,187	-	-	-	1,020,653	1,020,653
Drainage utility	923,988	693,611	-	-	-	(230,377)	(230,377)
Total business-type activities	<u>6,402,522</u>	<u>7,192,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>790,276</u>	<u>790,276</u>
Total primary government	<u>\$ 18,849,174</u>	<u>\$ 8,957,358</u>	<u>\$ 105,464</u>	<u>\$ -</u>	<u>\$ (10,576,628)</u>	<u>\$ 790,276</u>	<u>\$ (9,786,352)</u>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property Taxes, levied for general purposes					5,747,974	-	5,747,974
Sales Taxes					5,017,072	-	5,017,072
Franchise Taxes					940,273	-	940,273
Payment in lieu of taxes					357,899	-	357,899
Penalties and Interest					46,461	-	46,461
Interest on Investments					817,791	310,789	1,128,580
Transfers					357,899	(357,899)	-
Total general revenues and transfers					<u>13,285,369</u>	<u>(47,110)</u>	<u>13,238,259</u>
Change in Net Assets					2,708,741	743,166	3,451,907
NET ASSETS, beginning of year					<u>34,148,133</u>	<u>19,704,787</u>	<u>53,852,920</u>
NET ASSETS, end of year					<u>\$ 36,856,874</u>	<u>\$ 20,447,953</u>	<u>\$ 57,304,827</u>

**CITY OF WATAUGA, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2007**

<u>ASSETS</u>	<u>General Fund</u>	<u>G. O. Debt Service Fund</u>	<u>G. O. Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 6,356,639	\$ 192,602	\$ 7,022,539	\$ 2,773,979	\$ 16,345,759
Investments			491,700	-	491,700
Receivables:					
Property taxes, net of allowance	98,506	44,141	-	-	142,647
Accounts receivable	807,581	-	-	416,088	1,223,669
Due from other funds			501,483		501,483
Prepays and deposits	5,778	-	-	2,969	8,747
Inventory of supplies	58,215	-	-	-	58,215
<b>Total assets</b>	<b>\$ 7,326,719</b>	<b>\$ 236,743</b>	<b>\$ 8,015,722</b>	<b>\$ 3,193,036</b>	<b>\$ 18,772,220</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>					
Liabilities:					
Accounts payable	\$ 63,373	\$ -	\$ 43,340	\$ 15,661	\$ 122,374
Accrued liabilities	561,606	-	28,315	25,087	615,008
Deposits	44,902	-	-	-	44,902
Unearned revenue	462,434	44,143	-	-	506,577
<b>Total liabilities</b>	<b>1,132,315</b>	<b>44,143</b>	<b>71,655</b>	<b>40,748</b>	<b>1,288,861</b>
Fund Balances:					
Reserved for:					
Debt service	-	192,600	-	260,727	453,327
Unreserved:					
Designated, reported in:					
Capital projects funds	-	-	7,944,067	681,149	8,625,216
Undesignated, reported in:					
General fund	6,194,404	-	-	-	6,194,404
Special revenue funds	-	-	-	2,210,412	2,210,412
<b>Total fund balances</b>	<b>6,194,404</b>	<b>192,600</b>	<b>7,944,067</b>	<b>3,152,288</b>	<b>17,483,359</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,326,719</b>	<b>\$ 236,743</b>	<b>\$ 8,015,722</b>	<b>\$ 3,193,036</b>	<b>\$ 18,772,220</b>

**CITY OF WATAUGA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

Total fund balances - governmental funds	\$ 17,483,359
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.	36,218,681
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.	263,077
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.	(130,251)
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.	334,187
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	468,943
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.	<u>(17,781,122)</u>
Net assets of governmental activities	<u><u>\$ 36,856,874</u></u>

**CITY OF WATAUGA, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2007**

	General Fund	G. O. Debt Service Fund	G. O. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 7,521,271	\$ 1,785,110	\$ -	\$ 2,442,608	\$ 11,748,989
Licenses and permits	264,952	-	-	-	264,952
Charges for services	546,759	-	-	-	546,759
Fines and forfeitures	542,368	-	-	-	542,368
Interest income	337,378	19,699	318,039	142,673	817,789
Intergovernmental	357,899	-	-	-	357,899
Miscellaneous	257,160	-	-	117,082	374,242
<b>Total revenues</b>	<b>9,827,787</b>	<b>1,804,809</b>	<b>318,039</b>	<b>2,702,363</b>	<b>14,652,998</b>
<b>Expenditures:</b>					
Current:					
General government	4,080,648	-	-	-	4,080,648
Public safety	2,541,502	-	-	1,118,755	3,660,257
Culture and recreation	1,237,332	-	-	656,729	1,894,061
Public works	642,947	-	-	-	642,947
Capital outlay	-	-	2,121,034	231,209	2,352,243
Debt service:					
Principal	-	1,365,000	-	165,000	1,530,000
Interest and fiscal charges	-	515,157	-	53,286	568,443
<b>Total expenditures</b>	<b>8,502,429</b>	<b>1,880,157</b>	<b>2,121,034</b>	<b>2,224,979</b>	<b>14,728,599</b>
Excess (deficiency) of revenues over expenditures	1,325,358	(75,348)	(1,802,995)	477,384	(75,601)
Other financing sources (uses)					
Issuance of debt	-	2,855,000	3,400,000	-	6,255,000
Payments to bond escrow agent	-	(2,819,932)	-	-	(2,819,932)
Transfers in	435,123	155,715	825,000	407,702	1,823,540
Transfers out	(825,000)	-	-	(640,641)	(1,465,641)
<b>Total other financing sources (uses)</b>	<b>(389,877)</b>	<b>190,783</b>	<b>4,225,000</b>	<b>(232,939)</b>	<b>3,792,967</b>
Net change in fund balances	935,481	115,435	2,422,005	244,445	3,717,366
<b>Fund balances, beginning of year</b>	<b>5,258,923</b>	<b>77,165</b>	<b>5,522,062</b>	<b>2,907,843</b>	<b>13,765,993</b>
<b>Fund balances, end of year</b>	<b>\$ 6,194,404</b>	<b>\$ 192,600</b>	<b>\$ 7,944,067</b>	<b>\$ 3,152,288</b>	<b>\$ 17,483,359</b>

**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, 2007**

Net change in fund balances - total governmental funds	\$ 3,717,366
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	2,422,094
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.	(1,139,833)
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.	(1,868,108)
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.	(652,244)
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.	(66,741)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The change in net assets of the internal service funds is reported with governmental activities net of amount allocated to business-type activities.	(11,231)
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.	<u>307,438</u>
Change in net assets of governmental activities	<u>\$ 2,708,741</u>

**CITY OF WATAUGA, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007**

(1 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>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,926,526	\$ 615,880	\$ 5,542,406	\$ 545,816
Accounts receivable and unbilled revenue less allowance for uncollectibles of \$402,418 for water and sewer and \$12,018 for drainage utility	776,947	42,602	819,549	-
Other assets	22,659	-	22,659	-
Restricted bond reserve cash and cash equivalents	402,988	-	402,988	-
Restricted bond interest and sinking cash and cash equivalents	57,008	-	57,008	-
<b>Total current assets</b>	<b>6,186,128</b>	<b>658,482</b>	<b>6,844,610</b>	<b>545,816</b>
Noncurrent assets:				
Bond issuance cost	392,648	-	392,648	-
Less accumulated amortization	222,816	-	222,816	-
<b>Net bond issuance cost</b>	<b>169,832</b>	<b>-</b>	<b>169,832</b>	<b>-</b>
Utility plant and equipment in service, at cost				
Land	91,000	-	91,000	-
Buildings	3,198,812	2,563	3,201,375	154,384
Equipment	1,026,550	246,910	1,273,460	1,914,578
Street improvements	-	70,991	70,991	-
Drainage improvements	-	16,672,519	16,672,519	-
Waterworks and sanitary sewer system	13,483,307	-	13,483,307	-
Construction in progress	-	-	-	-
	17,799,669	16,992,983	34,792,652	2,068,962
Less accumulated depreciation	3,206,304	5,972,116	9,178,420	1,437,556
<b>Net utility plant and equipment in service</b>	<b>14,593,365</b>	<b>11,020,867</b>	<b>25,614,232</b>	<b>631,406</b>
<b>TOTAL ASSETS</b>	<b>\$ 20,949,325</b>	<b>\$ 11,679,349</b>	<b>\$ 32,628,674</b>	<b>\$ 1,177,222</b>

**CITY OF WATAUGA, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007**

(2 of 2)

	<b>Business Type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer</b>	<b>Drainage Utility</b>	<b>Total Enterprise Funds</b>	<b>Activities - Internal Service Funds</b>
<b>LIABILITIES</b>				
Current liabilities:				
Payable from current assets:				
Accounts payable	\$ 401,327	\$ 761	\$ 402,088	\$ -
Accrued liabilities	186,343	48,078	234,421	-
Current portion of bonds payable	840,000	-	840,000	-
Deposits	790,192	-	790,192	-
Payable from restricted assets:				
Revenue bonds payable	245,000	-	245,000	-
Accrued interest	40,078	-	40,078	-
<b>Total current liabilities</b>	<b>2,502,940</b>	<b>48,839</b>	<b>2,551,779</b>	<b>-</b>
Noncurrent liabilities:				
Bonds payable	9,304,125	-	9,304,125	-
Accrued liabilities	-	34,963	34,963	-
Due to other funds	501,483	-	501,483	-
<b>Total noncurrent liabilities</b>	<b>9,805,608</b>	<b>34,963</b>	<b>9,840,571</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,308,548</b>	<b>83,802</b>	<b>12,392,350</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,204,240	11,020,867	15,225,107	631,406
Restricted for debt service	204,791	-	204,791	-
Unrestricted	4,231,746	-	4,231,746	545,816
Designated for capital improvements	-	50,000	50,000	-
Undesignated	-	524,680	524,680	-
<b>TOTAL NET ASSETS</b>	<b>\$ 8,640,777</b>	<b>\$ 11,595,547</b>	<b>20,236,324</b>	<b>\$ 1,177,222</b>
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			211,629	
Net assets of business-type activities			<u>\$ 20,447,953</u>	

**CITY OF WATAUGA, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2007**

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	
<b>Operating revenues:</b>				
Water service	\$ 3,420,615	\$ -	\$ 3,420,615	\$ -
Sewer service	2,561,745	-	2,561,745	-
Drainage fees	-	693,611	693,611	-
Service fees and miscellaneous	531,421	-	531,421	114,972
<b>Total operating revenues</b>	<b>6,513,781</b>	<b>693,611</b>	<b>7,207,392</b>	<b>114,972</b>
<b>Operating expenses:</b>				
General and administrative	436,327	1,682	438,009	-
Sewer distribution	1,584,643	-	1,584,643	-
Water distribution	1,979,692	-	1,979,692	-
Personnel services	-	365,954	365,954	-
Nondepartmental	588,482	127,073	715,555	-
Billing and collections	54,644	-	54,644	-
Supplies	-	30,724	30,724	-
Repairs and maintenance	-	22,929	22,929	-
Contractual services	-	30,326	30,326	-
Depreciation	321,916	345,300	667,216	165,164
Amortization	51,291	-	51,291	-
<b>Total operating expenses</b>	<b>5,016,995</b>	<b>923,988</b>	<b>5,940,983</b>	<b>165,164</b>
Operating income (loss)	1,496,786	(230,377)	1,266,409	(50,192)
<b>Nonoperating revenues (expenses)</b>				
Investment income	282,821	27,968	310,789	24,367
Interest expense	(461,539)	-	(461,539)	-
<b>Total nonoperating revenues (expenses), net</b>	<b>(178,718)</b>	<b>27,968</b>	<b>(150,750)</b>	<b>24,367</b>
Income before transfers	1,318,068	(202,409)	1,115,659	(25,825)
Transfers out	(323,264)	(34,635)	(357,899)	-
Change in net assets	994,804	(237,044)	757,760	(25,825)
<b>Net assets, beginning of year</b>	<b>7,645,973</b>	<b>11,832,591</b>		<b>1,203,047</b>
<b>Net assets, end of year</b>	<b>\$ 8,640,777</b>	<b>\$ 11,595,547</b>		<b>\$ 1,177,222</b>
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(14,594)	
Change in net assets of business-type activities			\$ 743,166	

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, 2007**

	Business Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
<b>OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 6,815,663	\$ 692,758	\$ 7,508,421	\$ 114,972
Cash payments to suppliers for goods and services	(3,696,513)	(213,109)	(3,909,622)	-
Cash payments to employees for services	(1,056,788)	(331,361)	(1,388,149)	-
Net cash provided by operating activities	2,062,362	148,288	2,210,650	114,972
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer out	(323,264)	(34,635)	(357,899)	-
Net cash used in noncapital financing activities	(323,264)	(34,635)	(357,899)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital expenditures	(352,884)	(21,122)	(374,006)	-
Repayment of debt	(1,030,000)	-	(1,030,000)	-
Interest paid on debt	(461,539)	-	(461,539)	-
Net cash used in capital and related financing activities	(1,844,423)	(21,122)	(1,865,545)	-
<b>INVESTING ACTIVITIES</b>				
Sale of investments	226,060	-	226,060	-
Investment income	282,821	27,968	310,789	24,367
Net cash provided by investing activities	508,881	27,968	536,849	24,367
<b>Net change in cash and cash equivalents</b>	403,556	120,499	524,055	139,339
<b>Cash and cash equivalents, beginning of year</b>	4,982,966	495,381	5,478,347	406,477
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,386,522</u>	<u>\$ 615,880</u>	<u>\$ 6,002,402</u>	<u>\$ 545,816</u>

**CITY OF WATAUGA, TEXAS**  
**STATEMENT OF CASH FLOWS - continued**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2007**

	Business Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,496,786	\$ (230,377)	\$ 1,266,409	\$ (50,192)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	373,207	345,300	718,507	165,164
Change in assets and liabilities:				
Accounts receivable and unbilled revenue	192,640	(853)	191,787	-
Prepays and deposits	(31,465)	400	(31,065)	-
Accounts payable	(46,361)	(1,136)	(47,497)	-
Accrued liabilities	(31,687)	34,954	3,267	-
Deposits	109,242	-	109,242	-
<b>Net cash provided by operating activities</b>	<b>\$ 2,062,362</b>	<b>\$ 148,288</b>	<b>\$ 2,210,650</b>	<b>\$ 114,972</b>
Reconciliation of cash to balance sheet:				
Cash- current	\$ 4,926,526	\$ 615,880	\$ 5,542,406	
Cash- bond reserve	402,988	-	402,988	
Cash- bond interest and sinking	57,008	-	57,008	
<b>Cash and cash equivalents</b>	<b>\$ 5,386,522</b>	<b>\$ 615,880</b>	<b>\$ 6,002,402</b>	

**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 and May 7, 2005. 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 applicable to state and local governments. Generally accepted accounting principles 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 Crime Control and Prevention District Fund's (CCD) 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 CCD 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 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 personal 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.

**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 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.

**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 governmental-wide financial statements as "internal balances".

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

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

**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 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.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,500 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 at least six months of service. Other compensated time is reimbursed in full upon termination without regard to length of service. For the year ended September 30, 2006, civil service employees were reimbursed up to 100% of 90 days for accumulated unused sick leave. All other employees were reimbursed for accumulated unused sick leave at varying percentages from 0% - 60% depending on the total number of hours accumulated. In the current year there was a change in the sick leave policy. For the year ended September 30, 2007 all employees are reimbursed up to 100% of 90 days for accumulated unused sick leave. The total liability for compensated absences at September 30, 2007 was \$1,698,265, including \$223,224 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.

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

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

**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.

**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:

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

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.

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

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

Cash and investments as of September 30, 2007 are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 17,383,275
Business-type Activities	<u>6,002,402</u>
	<u>\$ 23,385,677</u>

Cash and investments as of September 30, 2007 consist of the following:

Deposits with financial institutions	\$ 747,841
Investments	<u>22,637,836</u>
	<u>\$ 23,385,677</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 35 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.

As of September 30, 2007, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 17,968,512	34 days
Texas Term	422,839	Daily
LOGIC	<u>3,754,784</u>	28 days
	<u>22,146,135</u>	
 Federal Home Loan Bank Notes	 <u>491,701</u>	 102 days
	<u>\$ 22,637,836</u>	

As of September 30, 2007 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

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

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

**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 Legal Rating	Rating as of September 30, 2007
TexPool	\$17,968,512	AAA	AAAm
Texas Term	422,839	AAA	AAAm
LOGIC	3,754,784	AAA	AAA
Federal Home Loan Bank Notes	491,701	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, 2007, 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.

**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 at all times.

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

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

**Custodial Credit Risk – Continued**

At September 30, 2007, the carrying amount of the City's cash on hand and deposits were \$747,841 and the bank balance was \$1,308,332. Of the bank balance, \$100,000 was covered by federal depository insurance while the remaining \$1,208,332 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 6-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. LOGIC assists governments across Texas to make 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.

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 7 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.

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

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance September 30, 2006	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2007
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,504,112	\$ -	\$ -	\$ 18,504,112
Construction in progress	645,053	293,259	(645,054)	293,258
Total capital assets not being depreciated	<u>19,149,165</u>	<u>293,259</u>	<u>(645,054)</u>	<u>18,797,370</u>
Capital assets being depreciated				
Buildings and improvements	9,337,599	1,261,631	645,054	11,244,284
Improvements other than building	9,970	-		9,970
Equipment	6,483,559	318,508	(84,642)	6,717,425
Infrastructure	18,658,257	548,696		19,206,953
Total capital assets being depreciated	<u>34,489,385</u>	<u>2,128,835</u>	<u>560,412</u>	<u>37,178,632</u>
Less accumulated depreciation:				
Buildings and improvements	1,261,838	207,680		1,469,518
Improvements other than building	637	200		837
Equipment	4,338,826	436,918	(71,794)	4,703,950
Infrastructure	12,922,817	660,199		13,583,016
Total accumulated depreciation	<u>18,524,118</u>	<u>1,304,997</u>	<u>(71,794)</u>	<u>19,757,321</u>
Total capital assets being depreciated, net	<u>15,965,267</u>	<u>823,838</u>	<u>632,206</u>	<u>17,421,311</u>
Governmental activities capital assets, net	<u>\$ 35,114,432</u>	<u>\$ 1,117,097</u>	<u>\$ (12,848)</u>	<u>\$ 36,218,681</u>

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

**NOTE 3. CAPITAL ASSETS – CONTINUED**

	Balance September 30, 2006	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2007
<b>Business Type Activities:</b>				
Capital assets not being depreciated				
Land	\$ 91,000	\$ -	\$ -	\$ 91,000
Total capital assets not being depreciated	<u>91,000</u>	<u>-</u>	<u>-</u>	<u>91,000</u>
Capital assets being depreciated				
Buildings and improvements	3,201,375	-	-	3,201,375
Equipment	1,203,177	131,627	(61,344)	1,273,460
Street and drainage improvements	16,722,381	21,129	-	16,743,510
Waterworks and sewer system	13,262,050	221,257	-	13,483,307
Total capital assets being depreciated	<u>34,388,983</u>	<u>374,013</u>	<u>(61,344)</u>	<u>34,701,652</u>
Less accumulated depreciation:				
Buildings and improvements	458,619	57,790		516,409
Equipment	896,489	63,137	(61,337)	898,289
Drainage improvements	5,443,881	338,554		5,782,435
Waterworks and sewer system	1,773,552	207,735		1,981,287
Total accumulated depreciation	<u>8,572,541</u>	<u>667,216</u>	<u>(61,337)</u>	<u>9,178,420</u>
Total capital assets being depreciated, net	<u>25,816,442</u>	<u>(293,203)</u>	<u>(7)</u>	<u>25,523,232</u>
Business-type activities capital assets, net	<u>\$ 25,907,442</u>	<u>\$ (293,203)</u>	<u>\$ (7)</u>	<u>\$ 25,614,232</u>

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

<b>Governmental Activities:</b>	
General government	\$ 167,377
Public safety	252,701
Culture and recreation	105,337
Public works	<u>779,582</u>
Total depreciation expense – Governmental Activities	<u>\$ 1,304,997</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 321,916
Drainage	<u>345,300</u>
Total depreciation expense – Business-Type activities	<u>\$ 667,216</u>

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

**NOTE 4. LONG-TERM DEBT**

Amounts payable at September 30, 2007 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%.	\$1,410,000	\$ -
\$4,060,000 Series 1999 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$15,000 to \$340,000 through April 1, 2020; interest at 5.00% to 5.50%.	540,000	-
\$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%	1,600,000	-
\$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%.	555,000	-
\$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%	1,680,000	-
\$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%.	4,505,000	-
\$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%	2,835,000	-
\$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%	3,400,000	-
\$4,580,000 Series 1997 Water Works and Sewer System Revenue Bonds due in annual installments of \$160,000 to \$220,000 through March 1, 2016; interest at 2.90% to 4.10%.	-	2,645,000
\$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%.	-	860,000
\$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%.	-	6,940,000
<b>Total Bonds Payable</b>	<u>\$ 16,525,000</u>	<u>\$ 10,445,000</u>

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

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

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2007:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
<b>Governmental Type Activities:</b>					
General obligation bonds	\$ 5,995,000	\$ 2,855,000	\$ (3,510,000)	\$ 5,340,000	\$ 480,000
Certificates of obligation	6,630,000	3,400,000	(525,000)	9,505,000	740,000
Deferred loss on refunding bonds	(93,564)	(139,283)	13,928	(218,919)	(27,704)
Sales tax revenue bonds	1,845,000	-	(165,000)	1,680,000	165,000
Compensated absences	822,797	866,424	(214,180)	1,475,041	265,812
Total governmental type activities	<u>15,199,233</u>	<u>6,982,141</u>	<u>(4,400,252)</u>	<u>17,781,122</u>	<u>1,623,108</u>
<b>Business Type Activities:</b>					
General obligation bonds	\$ 6,985,000	\$ -	\$ (45,000)	\$ 6,940,000	\$ 640,000
Water and sewer revenue bonds	2,875,000	-	(230,000)	2,645,000	245,000
Certificates of obligation	1,615,000	-	(755,000)	860,000	200,000
Deferred loss on refunding bonds	(60,773)	-	4,898	(55,875)	4,898
Total business type activities	<u>11,414,227</u>	<u>-</u>	<u>(1,025,102)</u>	<u>10,389,125</u>	<u>1,089,898</u>
Total government-wide activities	<u>\$ 26,613,460</u>	<u>\$ 6,982,141</u>	<u>\$ (5,425,354)</u>	<u>\$ 28,170,247</u>	<u>\$ 2,713,006</u>

In November 2006, the City issued \$2,855,000 in General Obligation Refunding Bonds with an interest rate of 3.73% to refund \$2,670,000 of outstanding Series 1999 Combination Tax and Revenue Certificates of Obligation with an interest rate of 5.00% to 5.50%. The net proceeds of \$2,819,932 (\$2,865,650 par amount of bonds less \$45,718 in issuance costs) were used to retire the 1999 Series bonds. The refunding resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$156,022.

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, \$2,160,000 remain outstanding at September 30, 2007.

**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.

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

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

**Revenue Bonds**

Water and Sewer 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.

**Annual Requirements to Retire Debt Obligations**

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2007, are as follows

**General Obligation Bonds:**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 480,000	\$ 218,851	\$ 640,000	\$ 278,881	\$ 1,617,732
2009	495,000	183,400	670,000	256,356	1,604,756
2010	400,000	163,975	695,000	232,034	1,491,009
2011	425,000	146,910	725,000	205,844	1,502,754
2012	355,000	131,999	760,000	174,200	1,421,199
2013-2017	2,055,000	426,055	3,450,000	339,725	6,270,780
2018-2020	1,130,000	58,071	-	-	1,188,071
	<u>\$ 5,340,000</u>	<u>\$ 1,329,261</u>	<u>\$ 6,940,000</u>	<u>\$ 1,487,040</u>	<u>\$ 15,096,301</u>

**Certificates of Obligation:**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 740,000	\$ 354,389	\$ 200,000	\$ 30,400	\$ 1,324,789
2009	765,000	337,184	210,000	22,200	1,334,384
2010	910,000	305,776	220,000	13,600	1,449,376
2011	935,000	270,491	230,000	4,600	1,440,091
2012	540,000	241,666	-	-	781,666
2013-2017	2,260,000	915,980	-	-	3,175,980
2018-2022	1,975,000	493,580	-	-	2,468,580
2023-2027	1,380,000	129,319	-	-	1,509,319
	<u>\$ 9,505,000</u>	<u>\$ 3,048,385</u>	<u>\$ 860,000</u>	<u>\$ 70,800</u>	<u>\$ 13,484,185</u>

**Revenue Bonds:**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 165,000	\$ 48,880	\$ 245,000	\$ 117,193	\$ 576,073
2009	175,000	44,946	255,000	106,315	581,261
2010	175,000	40,461	265,000	94,743	575,204
2011	180,000	35,355	280,000	82,340	577,695
2012	185,000	29,880	290,000	69,158	574,038
2013-2016	800,000	56,908	1,310,000	128,968	2,295,876
	<u>\$ 1,680,000</u>	<u>\$ 256,430</u>	<u>\$ 2,645,000</u>	<u>\$ 598,717</u>	<u>\$ 5,180,147</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.

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
G. O. Capital Projects	Water and Sewer	\$ 501,483

Due to/from's are primarily used as interfund loans for the following:

- G. O. Capital Projects to Water and Sewer for capital improvements.

The City will present to the City Council during the Fiscal Year 2008 Budget Process a plan to have the Water and Sewer Fund repay the G.O. Capital Projects Fund for past capital projects. Repayment will be included in future budgets.

**Interfund transfers:**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	PDC Sales Tax Fund	\$ 56,110
General Fund	Storm Drain Utility Fund	34,635
General Fund	Crime Control & Prevention Fund	21,114
General Fund	Water and Sewer Operating Fund	323,264
G.O. Debt Service Fund	Bunker Hill Drainage Fund	155,175
PDC Construction Fund	PDC Sales Tax Fund	190,316
Capital Projects Fund	General Fund	825,000
PDC Debt Service	PDC Sales Tax Fund	217,386
		<b>\$ 1,823,000</b>

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

**NOTE 5. INTERFUND TRANSFERS – CONTINUED**

Transfers are primarily used to move funds to:

- General Fund from Crime Prevention 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 Drainage 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 Water and Sewer 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 WPDC 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.
- G.O. Capital Projects from General Fund for capital improvement plans, specifically street reconstruction and renovations.
- WPDC Construction Fund from WPDC Sales Tax Fund for funding of construction.
- WPDC Debt Service Fund from WPDC Sales Tax Fund was to provide funds to pay for debt obligations for current year.

**NOTE 6. EMPLOYEE RETIREMENT SYSTEM**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system.

**Benefits**

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount

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

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

**Benefits – continued**

which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of April 4, 2007):

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city (expressed as years of service/age) are: 5 years/age 60 or 20 years/any age.

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time of his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e December 31, 2006 valuation is effective for rates beginning January 2008.)

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

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

**Contributions – continued**

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/2006
Actuarial Value of Assets	\$ 12,447,352
Actuarial Accrued Liability	\$ 14,870,103
Percentage Funded	83.71%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,422,751
Annual Covered Payroll	\$ 6,663,157
UAAL as a Percentage of Covered Payroll	36.36%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -
Annual Pension Cost:	
Annual Required Contribution (ARC)	669,611
Contributions Made	<u>(669,611)</u>
NPO at the end of the period	<u>\$ -</u>

Trend information for the past three years for TMRS is as follows:

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$695,945	100%	-
2006	683,582	100	-
2007	752,301	100	-

The following actuarial assumptions were used:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	25 years – Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation at	3.5%
Cost of Living Adjustments	None

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

**NOTE 7. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool to provide general liability, 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.

The City also participates in the Texas Municipal League Group Benefits Risk Pool for employee health and accident insurance.

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 8. LITIGATION**

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

**NOTE 9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During fiscal year 2007, the expenditures for the General Obligation Debt Service Fund exceeded appropriations by \$14,573.

**NOTE 10. COMMITMENTS**

At September 30, 2007 the City was committed to a long-term construction contract in the governmental funds. The City was contractually committed to approximately \$5.0 million of construction expenditures.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF WATAUGA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION  
 IN TEXAS MUNICIPAL RETIREMENT SYSTEM  
 SEPTEMBER 30, 2007**

<b>Actuarial Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</b>
12/31/05	\$ 10,751,976	\$ 12,775,149	84.2%	\$ 2,023,173	\$ 6,151,163	32.9%
12/31/06	11,623,776	13,853,915	83.9	2,230,139	6,080,895	36.7%
12/31/07	12,447,352	14,870,103	83.7	2,422,751	6,663,157	36.4%

**CITY OF WATAUGA, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 7,323,194	\$ 7,323,194	7,521,271	198,077
Licenses and permits	115,707	115,707	264,952	149,245
Charges for services	437,100	437,100	546,759	109,659
Fines and forfeitures	472,002	472,002	542,368	70,366
Interest income	243,310	243,310	337,378	94,068
Intergovernmental	412,760	412,760	357,899	(54,861)
Miscellaneous	141,669	141,669	257,160	115,491
<b>Total revenues</b>	<b>9,145,742</b>	<b>9,145,742</b>	<b>9,827,787</b>	<b>682,045</b>
<b>Expenditures:</b>				
Current:				
Administration	288,151	288,151	270,057	18,094
Non-Departmental	1,238,101	1,238,101	899,446	338,655
Human Resources	106,139	106,139	106,783	(644)
City Beautification	5,000	5,000	4,165	835
Revitalization / Redevelopment	50,000	50,000	38,611	11,389
Finance	553,776	553,776	487,277	66,499
MIS	192,011	192,011	177,540	14,471
Library	747,795	747,795	721,808	25,987
Recreation & Community Services	574,855	574,855	515,524	59,331
Public safety	2,652,163	2,652,163	2,541,502	110,661
Ambulance	1,540,475	1,540,475	1,407,825	132,650
Public Works	709,533	709,533	642,947	66,586
Fleet Maintenance	145,316	145,316	87,173	58,143
Buildings	640,250	640,250	601,771	38,479
<b>Total expenditures</b>	<b>9,443,565</b>	<b>9,443,565</b>	<b>8,502,429</b>	<b>941,136</b>
Excess (deficiency) of revenues over expenditures	(297,823)	(297,823)	1,325,358	(259,091)
<b>Other financing sources (uses):</b>				
Transfers in	456,485	456,485	435,123	(21,362)
Transfers out	(825,000)	(825,000)	(825,000)	-
<b>Total other financing sources (uses)</b>	<b>(368,515)</b>	<b>(368,515)</b>	<b>(389,877)</b>	<b>(21,362)</b>
Net change in fund balances	(666,338)	(666,338)	935,481	1,601,819
<b>Fund balance, beginning of year</b>	<b>2,049,021</b>	<b>2,049,021</b>	<b>5,258,923</b>	<b>3,209,902</b>
<b>Fund balance, end of year</b>	<b>\$ 1,382,683</b>	<b>\$ 1,382,683</b>	<b>\$ 6,194,404</b>	<b>\$ 4,811,721</b>

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

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 Municipal Court area.

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

### **DEBT SERVICE FUND**

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

Bunker Hill 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, 2007**

	<b>Special Revenue Funds</b>						
	<b>WPDC Sales Tax Fund</b>	<b>Crime Control and Prevention Fund</b>	<b>Library Donation Fund</b>	<b>Municipal Court Security Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Park Vista Fund</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 692,020	\$ 1,093,087	\$ 2,865	\$ 21,926	\$ 20,965	\$ 1,240	\$ 1,832,103
Investments	-	-	-	-	-	-	-
Receivables:							-
Accounts receivable	218,860	197,088	140	-	-	-	416,088
Prepays and deposits	-	2,969	-	-	-	-	2,969
<b>Total assets</b>	<b>\$ 910,880</b>	<b>\$ 1,293,144</b>	<b>\$ 3,005</b>	<b>\$ 21,926</b>	<b>\$ 20,965</b>	<b>\$ 1,240</b>	<b>\$ 2,251,160</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 5,373	\$ 10,287	\$ -	\$ -	\$ -	\$ 1	\$ 15,661
Accrued liabilities	11,113	12,738	45	1,191	-	-	25,087
<b>Total liabilities</b>	<b>16,486</b>	<b>23,025</b>	<b>45</b>	<b>1,191</b>	<b>-</b>	<b>1</b>	<b>40,748</b>
<b>Fund Balances:</b>							
<b>Reserved:</b>							
Reserve for debt service	-	-	-	-	-	-	-
Unreserved, Designated for authorized expenditures	-	-	-	-	-	-	-
Unreserved, undesignated	894,394	1,270,119	2,960	20,735	20,965	1,239	2,210,412
<b>Total fund balances</b>	<b>894,394</b>	<b>1,270,119</b>	<b>2,960</b>	<b>20,735</b>	<b>20,965</b>	<b>1,239</b>	<b>2,210,412</b>
<b>Total liabilities and fund balances</b>	<b>\$ 910,880</b>	<b>\$ 1,293,144</b>	<b>\$ 3,005</b>	<b>\$ 21,926</b>	<b>\$ 20,965</b>	<b>\$ 1,240</b>	<b>\$ 2,251,160</b>

Capital Projects Funds

WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Totals	Total Nonmajor Governmental Funds
\$ 260,727	\$ 641,869	\$ 39,280	\$ 681,149	\$ 2,773,979
-	-	-	-	-
-	-	-	-	-
-	-	-	-	416,088
-	-	-	-	2,969
<u>\$ 260,727</u>	<u>\$ 641,869</u>	<u>\$ 39,280</u>	<u>\$ 681,149</u>	<u>\$ 3,193,036</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,661
-	-	-	-	25,087
-	-	-	-	40,748
260,727	-	-	-	260,727
-	641,869	39,280	681,149	681,149
-	-	-	-	2,210,412
<u>260,727</u>	<u>641,869</u>	<u>39,280</u>	<u>681,149</u>	<u>3,152,288</u>
<u>\$ 260,727</u>	<u>\$ 641,869</u>	<u>\$ 39,280</u>	<u>\$ 681,149</u>	<u>\$ 3,193,036</u>

**CITY OF WATAUGA, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2007**

	Special Revenue Funds						
	WPDC Sales Tax Fund	Crime Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund	Park Vista Fund	Total
<b>Revenues:</b>							
Taxes	\$ 1,270,222	\$ 1,168,925	\$ -	\$ -	\$ -	\$ -	\$ 2,439,147
Interest income	27,623	56,183	552	1,184	2,059	364	87,965
Miscellaneous	1,127	53,188	15,028	13,897	18,527	15,315	117,082
<b>Total revenues</b>	<b>1,298,972</b>	<b>1,278,296</b>	<b>15,580</b>	<b>15,081</b>	<b>20,586</b>	<b>15,679</b>	<b>2,644,194</b>
<b>Expenditures:</b>							
Public safety	-	1,033,953	-	16,482	68,320	-	1,118,755
Culture and recreation	620,252	-	18,725	-	-	17,752	656,729
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>620,252</b>	<b>1,033,953</b>	<b>18,725</b>	<b>16,482</b>	<b>68,320</b>	<b>17,752</b>	<b>1,775,484</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(463,812)	(21,114)	-	-	-	-	(484,926)
<b>Total other financing sources (uses)</b>	<b>(463,812)</b>	<b>(21,114)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(484,926)</b>
<b>Net change in fund balances</b>	<b>214,908</b>	<b>223,229</b>	<b>(3,145)</b>	<b>(1,401)</b>	<b>(47,734)</b>	<b>(2,073)</b>	<b>383,784</b>
<b>Fund balance, beginning of year</b>	<b>679,486</b>	<b>1,046,890</b>	<b>6,105</b>	<b>22,136</b>	<b>68,699</b>	<b>3,312</b>	<b>1,826,628</b>
<b>Fund balance, end of year</b>	<b>\$ 894,394</b>	<b>\$ 1,270,119</b>	<b>\$ 2,960</b>	<b>\$ 20,735</b>	<b>\$ 20,965</b>	<b>\$ 1,239</b>	<b>\$ 2,210,412</b>

Capital Project Funds

WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Totals	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 3,461	\$ 3,461	\$ 2,442,608
15,039	33,940	5,729	39,669	142,673
-	-	-	-	117,082
15,039	33,940	9,190	43,130	2,702,363
-	-	-	-	1,118,755
-	-	-	-	656,729
-	231,209	-	231,209	231,209
165,000	-	-	-	165,000
53,286	-	-	-	53,286
218,286	231,209	-	231,209	2,224,979
217,386	190,316	-	190,316	407,702
-	-	(155,715)	(155,715)	(640,641)
217,386	190,316	(155,715)	34,601	(232,939)
14,139	(6,953)	(146,525)	(153,478)	244,445
246,588	648,822	185,805	834,627	2,907,843
<u>\$ 260,727</u>	<u>\$ 641,869</u>	<u>\$ 39,280</u>	<u>\$ 681,149</u>	<u>\$ 3,152,288</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,122,193	\$ 1,122,193	\$ 1,270,222	\$ 148,029
Interest income	26,351	26,351	27,623	1,272
Other	-	-	1,127	1,127
Total revenues	1,148,544	1,148,544	1,298,972	150,428
Expenditures:				
Culture and recreation	773,935	773,935	620,252	153,683
Total expenditures	773,935	773,935	620,252	153,683
Other financing uses:				
Transfers out	(463,812)	(463,812)	(463,812)	-
Total other financing uses	(463,812)	(463,812)	(463,812)	-
Net change in fund balances	(89,203)	(89,203)	214,908	304,111
Fund balance, beginning of year	679,486	679,486	679,486	-
Fund balance, end of year	<u>\$ 590,283</u>	<u>\$ 590,283</u>	<u>\$ 894,394</u>	<u>\$ 304,111</u>

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CRIME PREVENTION SPECIAL REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,055,685	\$ 1,055,685	\$ 1,168,925	\$ 113,240
Interest income	36,018	36,018	56,183	20,165
Miscellaneous	25,000	25,000	53,188	28,188
Total revenues	1,116,703	1,116,703	1,278,296	161,593
Expenditures:				
Public safety	1,115,190	1,115,190	1,033,953	81,237
Total expenditures	1,115,190	1,115,190	1,033,953	81,237
Other financing uses:				
Transfers out	(21,114)	(21,114)	(21,114)	-
Total other financing uses	(21,114)	(21,114)	(21,114)	-
Net change in fund balances	(19,601)	(19,601)	223,229	242,830
Fund balance, beginning of year	1,046,890	1,046,890	1,046,890	-
Fund balance, end of year	<u>\$ 1,027,289</u>	<u>\$ 1,027,289</u>	<u>\$ 1,270,119</u>	<u>\$ 242,830</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ 552	\$ 52
Miscellaneous	16,000	16,000	15,028	(972)
Total revenues	16,500	16,500	15,580	(920)
Expenditures:				
Culture and recreation	19,000	19,000	18,725	275
Total expenditures	19,000	19,000	18,725	275
Net change in fund balances	(2,500)	(2,500)	(3,145)	(645)
Fund balance, beginning of year	6,105	6,105	6,105	-
Fund balance, end of year	<u>\$ 3,605</u>	<u>\$ 3,605</u>	<u>\$ 2,960</u>	<u>\$ (645)</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 1,035	\$ 1,035	\$ 1,184	\$ 149
Miscellaneous	12,000	12,000	13,897	1,897
Total revenues	13,035	13,035	15,081	2,046
Expenditures:				
Public safety	20,157	20,157	16,482	3,675
Total expenditures	20,157	20,157	16,482	3,675
Net change in fund balances	(7,122)	(7,122)	(1,401)	5,721
Fund balance, beginning of year	22,136	22,136	22,136	-
Fund balance, end of year	\$ 15,014	\$ 15,014	\$ 20,735	\$ 5,721

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 3,121	\$ 3,121	\$ 2,059	\$ (1,062)
Miscellaneous	16,000	16,000	18,527	2,527
Total revenues	19,121	19,121	20,586	1,465
Expenditures:				
Public safety	80,298	80,298	68,320	11,978
Total expenditures	80,298	80,298	68,320	11,978
Net change in fund balances	(61,177)	(61,177)	(47,734)	13,443
Fund balance, beginning of year	68,699	68,699	68,699	-
Fund balance, end of year	<u>\$ 7,522</u>	<u>\$ 7,522</u>	<u>\$ 20,965</u>	<u>\$ 13,443</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ 364	\$ (136)
Miscellaneous	15,100	15,100	15,315	215
<b>Total revenues</b>	<b>15,600</b>	<b>15,600</b>	<b>15,679</b>	<b>79</b>
Expenditures:				
Culture and recreation	18,110	18,110	17,752	358
<b>Total expenditures</b>	<b>18,110</b>	<b>18,110</b>	<b>17,752</b>	<b>358</b>
<b>Net change in fund balances</b>	<b>(2,510)</b>	<b>(2,510)</b>	<b>(2,073)</b>	<b>437</b>
Fund balance, beginning of year	3,312	3,312	3,312	-
Fund balance, end of year	<u>\$ 802</u>	<u>\$ 802</u>	<u>\$ 1,239</u>	<u>\$ 437</u>

**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, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,728,442	\$ 1,728,442	\$ 1,771,676	\$ 43,234
Penalties and interest	14,201	14,201	13,434	(767)
Interest income	14,011	14,011	19,699	5,688
Total revenues	1,756,654	1,756,654	1,804,809	48,155
Expenditures:				
Debt service				
Principal	1,345,000	1,345,000	1,365,000	(20,000)
Interest and fiscal charges	520,584	520,584	515,157	5,427
Total expenditures	1,865,584	1,865,584	1,880,157	(14,573)
Other financing sources (uses)				
Bond Proceeds	2,855,500	2,855,500	2,855,000	500
Transfers in	155,715	155,715	155,715	-
Payment to Escrow	(2,819,932)	(2,819,932)	(2,819,932)	-
Total other financing sources (uses)	191,283	191,283	190,783	-
Net change in fund balances	82,353	82,353	115,435	33,582
Fund balances, beginning of year	77,165	77,165	77,165	-
Fund balances, end of year	\$ 159,518	\$ 159,518	\$ 192,600	\$ 33,582

**CITY OF WATAUGA, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
WPDC DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 3,010	\$ 3,010	\$ 15,039	\$ 12,029
Total revenues	3,010	3,010	15,039	12,029
Expenditures:				
Debt service				
Principal	165,000	165,000	165,000	-
Interest and fiscal charges	53,386	53,386	53,286	100
Total expenditures	218,386	218,386	218,286	100
Other financing sources (uses)				
Transfers in	217,386	217,386	217,386	-
Transfer out	(23,486)	(23,486)	-	23,486
Total other financing sources (uses)	193,900	193,900	217,386	23,486
Net change in fund balances	(21,476)	(21,476)	14,139	35,615
Fund balances, beginning of year	246,588	246,588	246,588	-
Fund balances, end of year	\$ 225,112	\$ 225,112	\$ 260,727	\$ 35,615

**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.

<p><b>Financial Trends</b></p> <p>Contain trend information to aid the reader in understanding how the City's financial performance has changed over time.</p>	<p>(Tables 1-4)</p>
<p><b>Revenue Capacity</b></p> <p>Contain information to help the reader assess the City's most significant local revenue sources, the property tax and water revenues.</p>	<p>(Tables 5-10)</p>
<p><b>Debt Capacity</b></p> <p>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.</p>	<p>(Tables 11-14)</p>
<p><b>Demographic and Economic Information</b></p> <p>Offers information to help the reader understand the environment within which the City's financial activities take place.</p>	<p>(Tables 15-16)</p>
<p><b>Operating Information</b></p> <p>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.</p>	<p>(Tables 17-19)</p>

*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.*

# CITY OF WATAUGA STATISTICAL SECTION

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**Table 1**

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	18,829,185	\$ 23,441,917	\$ 26,538,475	\$ 27,094,685	\$ 28,537,832
Restricted	694,723	372,766	356,918	60,039	367,219
Unrestricted	9,615,144	6,869,961	5,547,137	6,958,326	7,951,823
<b>Total governmental activities net assets</b>	<u>\$ 29,139,052</u>	<u>\$ 30,684,644</u>	<u>\$ 32,442,530</u>	<u>\$ 34,113,050</u>	<u>\$ 36,856,874</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	13,081,169	\$ 13,701,057	\$ 13,983,521	\$ 14,432,918	\$ 15,225,107
Restricted	324,349	328,718	179,219	32,120	204,791
Unrestricted	3,701,140	3,579,130	4,383,995	5,239,749	5,018,055
<b>Total business-type activities net assets</b>	<u>\$ 17,106,658</u>	<u>\$ 17,608,905</u>	<u>\$ 18,546,735</u>	<u>\$ 19,704,787</u>	<u>\$ 20,447,953</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 31,910,354	\$ 37,142,974	\$ 40,521,996	\$ 41,527,603	\$ 43,762,939
Restricted	1,019,072	701,484	536,137	92,159	572,010
Unrestricted	13,316,284	10,449,091	9,931,132	12,198,075	12,969,878
<b>Total primary government net assets</b>	<u>\$ 46,245,710</u>	<u>\$ 48,293,549</u>	<u>\$ 50,989,265</u>	<u>\$ 53,817,837</u>	<u>\$ 57,304,827</u>

Source: Comprehensive Annual Reports

**Table 2**

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,216,889	\$ 2,726,264	\$ 3,758,792	\$ 3,881,053	\$ 4,248,954
Department of Public Safety	3,637,170	3,979,933	3,463,332	3,528,716	4,193,729
Public Works	1,858,605	2,143,425	2,029,473	1,742,205	1,217,456
Capital Outlay	-	-	222,128	479,000	-
Parks and recreation	1,755,957	1,974,721	1,818,489	2,111,428	2,111,068
Interest on long-term debt	596,297	714,448	492,404	690,563	675,445
Total governmental activities expenses	<u>10,064,918</u>	<u>11,538,791</u>	<u>11,784,618</u>	<u>12,432,965</u>	<u>12,446,652</u>
Business-type activities:					
Water and Sewer	5,646,275	5,496,410	5,700,693	5,932,341	5,478,534
Drainage Utility	936,288	941,210	898,037	848,280	923,988
Total business-type activities expenses	<u>6,582,563</u>	<u>6,437,620</u>	<u>6,598,730</u>	<u>6,780,621</u>	<u>6,402,522</u>
Total primary government expenses	<u>\$ 16,647,481</u>	<u>\$ 17,976,411</u>	<u>\$ 18,383,348</u>	<u>\$ 19,213,586</u>	<u>\$ 18,849,174</u>
<b>Program Revenues</b>					
Governmental activities:					
Fees, Fines, and Charges for services:					
General Government	\$ 7,366	\$ 15,204	\$ 1,326	\$ 11,176	\$ 84,299
Public Safety	663,942	741,367	742,999	771,245	996,169
Public Works	549,182	380,935	153,211	344,133	436,199
Parks and recreation	139,836	140,680	372,322	234,083	247,893
Other activities	-	-	-	-	-
Operating grants and contributions	113,243	87,416	97,160	110,066	105,464
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>1,473,569</u>	<u>1,365,602</u>	<u>1,367,018</u>	<u>1,470,703</u>	<u>1,870,024</u>
Business-type activities:					
Charges for services:					
Water and Sewer	6,719,865	7,244,546	6,921,672	7,159,786	6,499,187
Drainage Utility	691,143	-	693,076	693,043	693,611
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>7,411,008</u>	<u>7,244,546</u>	<u>7,614,748</u>	<u>7,852,829</u>	<u>7,192,798</u>
Total primary government program revenues	<u>\$ 8,884,577</u>	<u>\$ 8,610,148</u>	<u>\$ 8,981,766</u>	<u>\$ 9,323,532</u>	<u>\$ 9,062,822</u>

**Table 2**

(continued)

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (8,591,349)	\$ (10,173,189)	\$ (10,417,600)	\$ (10,962,262)	\$ (10,576,628)
Business-type activities	<u>828,445</u>	<u>806,926</u>	<u>1,016,018</u>	<u>1,072,208</u>	<u>790,276</u>
Total primary government net expense	<u>\$ (7,762,904)</u>	<u>\$ (9,366,263)</u>	<u>\$ (9,401,582)</u>	<u>\$ (9,890,054)</u>	<u>\$ (9,786,352)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 5,100,509	\$ 5,246,688	\$ 5,465,585	\$ 5,712,275	\$ 5,747,974
Franchise taxes	916,164	945,407	941,827	964,868	940,273
Sales taxes	3,563,381	4,574,815	4,447,182	4,756,612	5,017,072
Penalties and Interest	42,361	45,001	45,605	49,306	46,461
Unrestricted grants and contributions	-	-	-	0	0
Payments in lieu of taxes	367,575	235,194	350,780	353,623	357,899
Investment earnings	139,792	128,177	307,461	623,908	817,791
Gain on Sale of Assets	9,598	10,110	336,857		
Miscellaneous	38,052	176,679	87,549	23,078	0
Transfers	<u>333,620</u>	<u>356,710</u>	<u>192,640</u>	<u>149,112</u>	<u>357,899</u>
Total governmental activities	<u>10,511,052</u>	<u>11,718,781</u>	<u>12,175,486</u>	<u>12,632,782</u>	<u>13,285,369</u>
Business-type activities:					
Investment earnings	64,634	52,031	114,452	234,956	310,789
Transfers	<u>(333,620)</u>	<u>(356,710)</u>	<u>(192,640)</u>	<u>(149,112)</u>	<u>(357,899)</u>
Total business-type activities	<u>(268,986)</u>	<u>(304,679)</u>	<u>(78,188)</u>	<u>85,844</u>	<u>(47,110)</u>
Total primary government	<u>\$ 10,242,066</u>	<u>\$ 11,414,102</u>	<u>\$ 12,097,298</u>	<u>\$ 12,718,626</u>	<u>\$ 13,238,259</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 1,919,703	\$ 1,545,592	\$ 1,757,886	\$ 1,670,520	\$ 2,708,741
Business-type activities	<u>559,459</u>	<u>502,247</u>	<u>937,830</u>	<u>1,158,052</u>	<u>743,166</u>
Total primary government	<u>\$ 2,479,162</u>	<u>\$ 2,047,839</u>	<u>\$ 2,695,716</u>	<u>\$ 2,828,572</u>	<u>\$ 3,451,907</u>

Source: Comprehensive Annual Financial Reports

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

**Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

*(Unaudited)*

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
Reserved*	\$ 17,330.00	\$ 3,665.00	\$ 43,244.00	\$ 2,960.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>1,026,672</u>	<u>1,401,651</u>	<u>2,277,604</u>	<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>6,194,404</u>
Total general fund	<u>\$ 1,044,002</u>	<u>\$ 1,405,316</u>	<u>\$ 2,320,848</u>	<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>\$ 6,194,404</u>
All Other Governmental Funds										
Reserved	\$ 535,835	\$ 552,316	\$ 813,494	\$ 920,523	\$ 829,891	\$ 743,536	\$ 487,309	\$ 341,661	\$ 323,753	\$ 453,327
Unreserved, reported in:										
Special revenue funds	278,237	341,783	675,531	862,293	1,255,348	1,846,155	1,745,995	1,827,676	1,826,624	2,210,412
Capital projects funds	1,915,997	5,314,662	8,761,554	5,487,882	3,233,324	3,292,013	3,326,844	8,319,883	6,356,689	8,625,216
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,730,069</u>	<u>\$ 6,208,761</u>	<u>\$ 10,250,579</u>	<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>\$ 8,507,066</u>	<u>\$ 11,288,955</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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>										
Taxes	\$ 6,169,924	\$ 6,454,657	\$ 6,983,074	\$ 8,352,662	\$ 9,342,521	\$ 9,622,287	\$ 10,805,238	\$ 10,889,663	\$ 11,515,408	\$ 11,748,989
Licenses, fees and permits	202,046	225,514	600,479	588,307	524,292	380,365	259,682	244,599	210,283	264,952
Fines and penalties	229,150	240,284	358,320	455,353	387,253	409,589	459,645	524,105	505,965	546,759
Charges for services	29,304	157,531	113,058	205,093	315,140	416,355	482,155	440,154	463,487	542,368
Special assessments	215,052	402,722	166,950	-	304,361	63,852	2,797	-	-	-
Intergovernmental	125,324	198,576	225,033	148,917	453,905	410,982	289,545	414,394	399,137	357,899
Investment earnings	215,467	270,481	740,389	651,923	223,311	139,792	128,177	307,461	623,911	817,789
Other revenues	83,169	169,458	206,224	282,102	328,713	207,651	293,761	259,291	250,326	374,242
<b>Total revenues</b>	<u>7,269,436</u>	<u>8,119,223</u>	<u>9,393,527</u>	<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>14,652,998</u>
<b>Expenditures</b>										
General government	1,516,832	1,613,634	1,677,792	1,908,400	2,220,762	2,365,638	2,844,438	3,837,616	3,775,994	4,080,648
Public Safety	2,239,873	2,298,575	2,619,126	3,336,365	3,425,798	3,650,231	3,952,227	3,311,905	3,370,740	3,660,257
Public Works	589,611	554,382	644,437	669,206	740,902	704,659	621,962	684,929	661,803	642,947
Parks and recreation	751,611	887,451	1,046,597	1,113,044	1,417,292	1,769,508	1,856,714	1,731,225	1,978,147	1,894,061

**Table 4**  
(continued)

**CITY OF WATAUGA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting)  
(Unaudited)

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	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Capital outlay	2,403,660	1,496,392	1,694,351	4,003,834	3,382,123	2,610,235	1,424,996	3,475,214	2,955,483	2,352,243
Debt service										
Interest	630,877	720,796	673,874	964,425	677,390	643,828	586,215	589,390	627,935	568,443
Principal	<u>1,630,000</u>	<u>1,015,000</u>	<u>1,015,000</u>	<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>
Total expenditures	<u>9,762,464</u>	<u>8,586,230</u>	<u>9,371,177</u>	<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>14,728,599</u>
Excess of revenues over (under) expenditures	(2,493,028)	(467,007)	22,350	(2,400,917)	(1,249,771)	(1,453,226)	(50,552)	(2,050,612)	(876,585)	(75,601)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	2,000,000	-	4,060,000	3,899,641	-	2,300,000	3,115,000	5,000,000	-	3,585,000
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	-	3,843,869	10,000	-	213,570	-	-	431,858	-	-
Transfers in	1,932,484	1,525,511	2,442,034	1,357,263	977,152	1,223,250	1,492,759	3,662,962	1,481,441	1,823,540
Transfers out	<u>(1,797,912)</u>	<u>(1,125,352)</u>	<u>(1,577,034)</u>	<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>
Total other financing sources (uses)	<u>2,134,572</u>	<u>4,244,028</u>	<u>4,935,000</u>	<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>3,792,967</u>
Net change in fund balances	<u>\$ (358,456)</u>	<u>\$ 3,777,021</u>	<u>\$ 4,957,350</u>	<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>\$ 3,717,366</u>
Debt service as a percentage of noncapital expenditures	30.7%	24.5%	22.0%	22.6%	19.9%	19.1%	18.3%	17.9%	17.7%	17.0%

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			
1998	\$ 513,163,447	\$ 38,111,240	\$ 34,275,095	516,999,592	0.6995
1999	\$ 544,936,781	\$ 38,008,477	\$ 44,112,578	538,832,680	0.6895
2000	\$ 569,923,439	\$ 41,572,291	\$ 46,751,018	564,744,712	0.6795
2001	\$ 641,595,688	\$ 45,710,360	\$ 47,510,545	639,795,503	0.6595
2002	\$ 733,792,186	\$ 57,201,136	\$ 60,939,317	730,054,005	0.6570
2003	\$ 833,499,369	\$ 61,652,840	\$ 64,195,614	830,956,595	0.5989
2004	\$ 915,593,648	\$ 55,868,895	\$ 75,168,686	896,293,857	0.5808
2005	\$ 954,897,286	\$ 59,403,846	\$ 74,176,118	940,125,014	0.5808
2006	\$ 1,000,642,257	\$ 60,878,118	\$ 75,871,741	985,648,634	0.5808
2007	\$ 1,022,670,335	\$ 61,743,271	\$ 84,469,429	999,944,177	0.5808

Source: Tarrant Appraisal District (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
1998	0.4311	0.2683	0.6995	1.5100	1.5385	0.2648	0.2341	0.1064
1999	0.4432	0.2462	0.6895	1.4800	1.5325	0.2648	0.2341	0.1064
2000	0.4711	0.2083	0.6795	1.5200	1.5385	0.2748	0.2341	0.1064
2001	0.4235	0.2359	0.6595	1.5200	1.5698	0.2748	0.2341	0.1064
2002	0.4240	0.2130	0.6370	1.5300	1.5698	0.2748	0.2341	0.1064
2003	0.4122	0.1868	0.5989	1.6200	1.6519	0.2725	0.2324	0.1394
2004	0.4088	0.1720	0.5808	1.6800	1.6170	0.2725	0.2354	0.1394
2005	0.4088	0.1720	0.5808	1.7160	1.6170	0.2725	0.2354	0.1394
2006	0.4015	0.1793	0.5808	1.6080	1.5650	0.2715	0.2354	0.1394
2007	0.4006	0.1802	0.5808	1.3574	1.4050	0.2665	0.2304	0.1394

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)

Taxpayer	2007			Taxpayer	1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value a)		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value b)
Inland Western Watauga Lp	\$ 30,237,500	1	3.02%	Southwestern Bell Telephone Co.	\$14,683,791	1	2.73%
Watauga Towne Crossing LLC	23,551,052	2	2.36%	Texas Utilities	6,053,970	2	1.12%
Sci Watauga Town Ctr Fund Etal	15,320,000	3	1.53%	Albertson's Inc.	5,536,320	3	1.03%
Dayton Hudson Corp.	11,658,600	4	1.17%	Marketplace Partners LTD	4,330,888	4	0.80%
Southwestern Bell	11,201,990	5	1.12%	Ferguson & Thomasson, JV.	3,930,406	5	0.73%
Park Vista Townhomes	8,751,260	6	0.88%	Leiserv, Inc	1,889,211	6	0.35%
Txu Electric Delivery	7,839,236	7	0.78%	Southland Corporation	1,745,329	7	0.32%
Watauga All Storage Ltd.	7,188,293	8	0.72%	Winn-Dixie Texas Inc.	1,527,502	8	0.28%
Abs Tx Investor Lp	4,402,033	9	0.44%	Secretary of HUD	1,301,500	9	0.24%
Target Stores	4,036,425	10	0.40%	Flatiron Cambria I	1,050,000	10	0.19%
Total	\$ 124,186,389		12.42%		\$ 42,048,917		7.80%

Source: Tarrant Central Appraisal District

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

NOTE:

a) Total taxable value including real and personal property for tax year 2006 (FY 2006-07) is \$999,944,177.

b) Total taxable value including real and personal property for tax year 1997 (FY 1998-1999) is \$538,832,680.

**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
1998	3,606,506	277	3,606,783	3,561,315	98.74%	39,543	3,600,858	99.84%
1999	3,732,280	2,193	3,734,473	3,690,847	98.83%	37,631	3,728,478	99.84%
2000	3,931,269	(1,880)	3,929,389	3,884,477	98.86%	40,420	3,924,897	99.89%
2001	4,243,443	3,179	4,246,622	4,186,286	98.58%	53,256	4,239,542	99.83%
2002	4,703,057	2,623	4,705,680	4,640,662	98.62%	52,558	4,693,220	99.74%
2003	5,070,410	(16,136)	5,054,274	5,009,728	99.12%	35,978	5,045,706	99.83%
2004	5,265,280	(7,776)	5,257,504	5,188,566	98.69%	57,640	5,246,206	99.79%
2005	5,475,746	(29,169)	5,446,577	5,389,470	98.95%	41,361	5,430,831	99.71%
2006	5,743,401	(33,383)	5,710,018	5,678,457	98.87%	9,027	5,687,485	99.03%
2007	5,792,266	n/a	n/a	5,710,143	98.58%	n/a	5,710,143	98.58%

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Sources: Tarrant County Tax Office and Tarrant Appaisal District

**Table 9**

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

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<u>Fiscal Year</u>	<u>*No of Customers</u>	<u>**Gallons Billed (000)</u>	<u>***Water Revenue</u>
1998	7,567	-	-
1999	7,593	-	-
2000	7,596	754,345,381	\$3,452,070.00
2001	7,822	932,417,647	\$3,282,305.00
2002	8,011	713,789,611	\$3,828,171.00
2003	8,044	906,318,604	\$3,875,295.00
2004	8,047	812,142,846	\$3,557,174.00
2005	8,055	823,771,031	\$3,706,212.00
2006	8,202	1,118,858,558	\$4,452,191.00
2007	8,133	754,349,657	\$3,478,711.00

\*Source: Table 16 - # of Water Consumers

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

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

Table 10

CITY OF WATAUGA  
Principal Water Customers  
Current Fiscal Year  
(Unaudited)

Customer Name	Gallons	Total	Dollars	Total
	Consumed (000)		Billed	
Daybreak Venture	77,456	0.01%	\$ 33,915	0.97%
Goodwill Industries of FW, Inc.	75,304	0.01%	2,477	0.07%
Watauga 377, LLC	55,169	0.01%	1,098	0.03%
Target Stores T-1765	52,804	0.01%	9,063	0.26%
Western Rim Properties	41,664	0.01%	5,001	0.14%
Chili's #663	34,988	0.00%	13,648	0.39%
Harvest Baptist Church	30,117	0.00%	8,296	0.24%
RMF Group INC	29,013	0.00%	12,131	0.35%
Harvest Baptist Church	25,101	0.00%	16,257	0.47%
TPCMW, Inc.	25,042	0.00%	11,948	0.34%
Top Ten Total	446,658	0.06%	\$ 113,834	3.27%
<b>City Total</b>	754,349,657		\$ 3,478,711	

Table 11

**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			
1998	10,335,000	-	2,590,000	514,914	184,083	4,415,000	-	11,040,000	28,432	29,107,429	N/A	N/A
1999	9,540,000	-	2,500,000	549,803	38,148	4,250,000	-	10,690,000	443	28,083,308	6.69%	1,277
2000	12,680,000	-	2,405,000	1,376,777	-	4,075,000	-	10,315,000	-	30,851,777	7.06%	1,402
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

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. 1998 Per capita information not available.

Table 12

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		
1998	10,335,000	-	10,335,000	2.00%	\$ 471.92
1999	9,540,000	-	9,540,000	1.77%	\$ 433.64
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

**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, 2007  
(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	612,851,650	3.26%	\$ 19,978,964
Birdville Independent School District	251,475,318	10.82%	\$ 27,209,629
Tarrant County	263,806,031	0.89%	\$ 2,347,874
Tarrant County College	51,943,961	0.89%	\$ 462,301
Tarrant County Hospital County	-	0.89%	\$ -
Subtotal, overlapping debt			49,998,768
City direct debt			<u>14,845,000</u>
<b>Total direct and overlapping debt</b>			<b><u>\$ 64,843,768</u></b>

**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.

Table 14

CITY OF WATAUGA  
 PLEDGED-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	
1998	6,381,703	4,333,019	2,048,684	145,000	213,869	5.71	505,031	167,805	337,226	85,000	151,875	1.42
1999	5,653,016	3,361,267	2,291,749	155,000	206,749	6.34	593,425	199,846	393,579	90,000	147,200	1.66
2000	6,063,028	3,622,567	2,440,461	165,000	199,144	6.70	866,886	262,500	604,386	95,000	142,387	2.55
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

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.

Table 15

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

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income(3)	Median Age(4)	School Enrollment(5)	Unemployment Rate(6)
1998	21,900	n/a	n/a	n/a	3,005	1.9%
1999	22,000	419,672	\$ 19,076	n/a	2,804	1.7%
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%

Note: Personal Income and Per Capita Personal Income not available for FY1998

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). (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 Site on Texas based on 2000 census data

**Table 16**

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

<u>Employer</u>	<u>2007</u>			<u>1998</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	4.34%	n/a	n/a	n/a
Harvest Baptist	210	5	3.26%	185	1	5.69%
Birdville ISD	200	2	3.10%	167	3	5.14%
Albertson's	190	3	2.95%	180	2	5.54%
City of Watauga	190	4	2.95%	106	4	3.26%
North Pointe Health & Rehab	122	6	1.89%	n/a	n/a	n/a
Keller ISD	90	7	1.40%	43	5	1.32%
Fresco's	80	9	1.24%	n/a	n/a	n/a
Chili's Grill & Bar	80	8	1.24%	n/a	n/a	n/a
Cotton Patch Café	50	10	0.78%	n/a	n/a	n/a
<b>Total</b>	<b>1,492</b>		<b>23.14%</b>	<b>681</b>		<b>20.96%</b>

**Source:**

- (1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification
- (2) For 2007, used total 2006 City Employment estimated at 6,447 obtained from SitesOnTexas, Demographic data for 2006 by Experien/Applied Geographic Solutions
- (3) Total 1998 City Employment of 3,249 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)**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government and Administration	25.50	26.75	27.50	28.00	31.00	32.50	30.25	30.58	30.75	31.75
Public Safety										
Police Division	43.00	45.00	42.00	42.50	50.00	52.97	56.00	50.25	50.25	54.25
Fire/EMS Division			6.00	6.00	6.00	7.03	8.00	15.00	16.50	21.50
Culture and Recreational	30.50	30.50	7.00	6.50	10.25	9.25	11.25	10.50	10.50	10.50
Library	8.00	10.00	8.45	10.50	10.75	11.25	11.25	12.25	12.75	12.75
Water/Sewer/Drainage	23.00	24.25	26.25	27.75	30.50	32.50	32.75	33.50	33.75	33.75
Fleet Services	-	-	-	-	-	2.00	2.00	2.00	3.00	3.00
Building	1.00	1.00	1.00	3.00	3.00	3.00	4.00	5.00	6.00	6.00
Parks Development	2.50	2.50	7.50	7.50	7.75	11.75	11.75	10.50	10.50	10.50
<b>Total</b>	<b>133.50</b>	<b>140.00</b>	<b>125.70</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>184.00</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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Police</b>										
Calls for Service	N/A	N/A	3,500	3,600	4,439	4,848	5,984	22,422	23,215	23,591
Municipal Citations Issued	5,700	N/A	N/A	N/A	N/A	N/A	N/A	8,294	9,656	10,468
<b>Fire/EMS</b>										
EMS Calls	1,100	825	780	850	900	949	1,000	1,018	1,110	1,202
EMS Average Response Time (min)	6	3	3	7	7	7	7	4	4	4
Ambulance Transports	N/A	N/A	N/A	616	675	702	740	710	753	806
Fire Calls	N/A	95	100	215	250	323	322	401	416	431
Fire Average Response Time (min)	4	5	5	N/A	3.25	3.08	3.16	3.75	4.25	4.1
Fire Inspections	N/A	450	450	530	300	325	375	55	60	65
<b>Public Works</b>										
Lane Miles Maintained	78	78	78	78	84	84	84	84	84	84
Miles of Curb and gutter maintained	N/A	NA	N/A	157	168	168	168	168	168	168
<b>Parks and recreation</b>										
Park Acres Maintained	N/A	169	127	169	122	122	116	116	116	116
Athletic Fields Maintained	N/A	N/A	N/A	N/A	N/A	N/A	3	5	8	8
Community Center Memberships	N/A	N/A	N/A	N/A	N/A	2,779	2,540	1,600	1,800	2,300
Program/Class/League Attendance	N/A	25/day	25/day	3,000	19,357	29,639	20,443	31,982	87,351	40,741
<b>Library</b>										
Number of Programs Offered	45	300	300	325	325	330	355	350	437	355
Number of School Visits	8	8	8	8	7	7	8	15	11	8
Number of Books in Collection	31,577	32,838	35,702	36,992	38,407	42,971	44,830	49,866	52,415	58,147
Number of Media in Collection	5,132	5,882	7,098	7,527	7,884	6,465	7,451	8,472	15,013	12,037
Electronic Format Materials	13	14	12	11	8	4	6	6	13	58
<b>Water and Sewer</b>										
Number of Water Consumers	7,567	7,593	7,596	7,822	8,011	8,028	8,084	8,055	8,202	8,133
Average daily consumption (mil gal)	3.75	2.31	2.38	2.64	2.64	2.37	2.46	2.34	2.94	2.36
Amt of sewer line inspected (Linear Ft)	10000	9000	9000	9000	8000	9000	8900	15000	5136	10000

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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	N/A	12	12	12	12	12
Animal Control Facility										1
Fire stations	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Streets (miles)	78.0	78.0	78.0	84.0	84.0	84.0	84.0	84.0	85.0	85.0
Streetlights	657	676	696	703	703	703	703	703	703	703
Traffic signals	N/A	N/A	N/A	N/A	N/A	N/A	11	11	11	11
<b>Parks and recreation</b>										
Acreage (Developed & Undeveloped) <sup>a</sup>	138	93	127	123	123	124	124	124	124	124
Parks	3	4	4	9	9	10	10	10	10	10
Athletic Fields	5	5	5	5	5	5	5	5	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
<b>Water</b>										
Water mains (miles)	84.0	84.0	84.0	84.0	84.0	84.0	84.0	84.0	85.0	85.0
Fire hydrants	N/A	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
<b>Wastewater</b>										
Storm sewers (miles)	15.9	15.9	15.9	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Sanitary sewers (miles)	84	84	84	84	84	84	84	84	85	85

Sources: Various city departments.

<sup>a</sup> In FY98 & FY99, sold 60 acres to large retail establishment