WATAUGA
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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2011

CITY OF WATAUGA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2011

PREPARED BY

THE CITY OF WATAUGA

FINANCE DEPARTMENT

CITY OF WATAUGA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2011

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2011

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INTRODUCTORY SECTION

February 27, 2012

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

Financial Report and Audit Requirement. As required by City of Watauga Charter Section 9.06 (C) and various other obligations including, but not limited to, bond covenants, "At the close of each fiscal year, and at such time as it may be deemed necessary, the Council shall cause an independent audit to be made of all accounts of the City by a certified public accountant. Upon completion of the audit, the results thereof in a summary form shall be placed on file in the City Secretary's office as a public record." Financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to those requirements, we are hereby pleased to submit the comprehensive annual financial report of the City of Watauga for the fiscal year ended September 30, 2011.

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.

Null-Lairson, PC, a firm of licensed certified public accounts headquartered in Houston, Texas, audited the City of Watauga financial statements. The goal of the independent auditors was to provide reasonable assurance that the financial statements of the City of Watauga for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Watauga's financial statements for the fiscal year ended September 30, 2011 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, 2011. The Comprehensive Annual Financial Report (CAFR) is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes: Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information, combining and individual fund statements and schedules, and the independent auditor's report on the basic financial statements. The

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letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The City of Watauga's MD&A can be found immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, but is not reviewed by the independent auditors of Null-Lairson, PC.

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, 2011.

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 2010 U.S. Census was 23,497 and was estimated by the North Central Texas Council of Governments ("NCTCOG") at 23,500 as of January 1, 2011.

Watauga Statistics

Population (Estimated Jan 11)	23,500
Area (Square Miles)	4
Percent Developed/Undeveloped (Estimated 2011)	96%/4%
Unemployment Rate (November 2011)	
Tarrant County	7.40%
State	8.10%
Median Age (2010 Census)	32.5
Average Household Size (2010 Census)	3.05
Mean Household Income (2010 Census)	$62,131
Educational Level (%) (2010 Census)	
No High School Diploma	12.60%
High School Diploma	87.30%
Post High School Degree	18.90%
Housing	
Number of Housing Units – (2010 Census)	8,209
Average Household Size (2010 Census)	3.05
Average Parcel Market Value (Tarrant Appraisal District July 2011)	$94,471
Average Parcel Taxable Value (Tarrant Appraisal District Jul 2011)	$89,091
City Property Tax Rate (Per $100)	$0.589001
Percent Owner Occupied (2010 Census)	79.60%
Percent Renter Occupied (2010 Census)	20.40%
Industry Employment Profile (%) (2010 Census)	
Tech, Sales, Admin. Support	31.40%
Service Occupations/Agriculture	18.50%
Manager and Professional	27.70%
All others	22.40%
Sales Tax Revenue Projection General Fund for FY 2012	$2,715,000
Operating Budget (2011-2012)	$36,453,015

MAJOR EMPLOYERS

Top Ten Employers in 16-County NCTCOG Region	
Name	**Employees***
Lockheed Martin Aeronautics Company, Fort Worth	13,500
American Airlines/AMR, DFW Airport	11,709
NAS Fort Worth Joint Reserve Base, Fort Worth	11,350
Texas Instruments, Dallas	9,800
Parkland Health & Hospital System, Dallas	9,178
UT Southwestern Medical Center, Dallas	8,545
University of North Texas, Denton	7,762
American Airlines/AMR, Fort Worth	6,500
Baylor University Medical Center At Dallas, Dallas	5,500
University of Texas At Arlington, Arlington	5,300

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

Form of Government. The City of Watauga Home Rule charter was adopted on January 19, 1980. The City operates under a Mayor-Council-Manager form of government, with the Governing Body comprised of eight members including the Mayor. Note: The Mayor does not vote unless there is a tie vote, and the Mayor has veto authority. All seven Council members are elected by place number. Due to an amendment in the home rule charter in 1996, the term of office was changed from two-year terms to three-year terms. However, terms were changed back to two-year terms in 2005 by another amendment. The Governing Body 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 Governing Body Council for appointing and supervising employees of the City (except for those appointed by the Government Body) and for preparing and administering the annual budget and capital improvement program (CIP).

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

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

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

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

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

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

As of September 30, 2011, there were twenty-six funds. A description of the major funds or groups of funds follows: the General Fund, which is used to account for all financial resources, except those accounted for in another fund; Debt Service Funds, which are used to account for resources used in the payment of principal and interest on the City's general obligation bonds and other general indebtedness; Capital Projects Funds, which are used to finance construction costs on authorized capital projects and payments for the acquisition of equipment purchased with contractual obligation proceeds; the Storm Drainage Utility Enterprise Fund, which is used to account for revenues and expenses related to the operations and maintenance of the City's drainage utility system; Water/Sewer Utility Funds, which are used to account for revenues and expenses related to the Water/Sewer utility system, including a Water/Sewer Construction fund used to finance construction costs on authorized utility projects; Special Revenue Funds, one of which is used to account for the ½ cent sales tax increase approved by the voters in May 1994 for parks, one to account for the ½ cent sales tax increase approved by voters in March 1996, reapproved by voters in 2001 and 2010 for a ten-year period, for crime control and prevention, a fund to account for public donations made to the City specifically for the benefit of the public library, a fund to account for the $3 per offense fee approved by council in 1999 to be used for updating the Municipal Court security, a fund to account for the $4 per offense fee approved by council in 1999 to be used for updating technology in the Municipal Court, a fund to account for the $5 fee for each violation, except parking, approved by Council in September 2008 to support the Juvenile Case Manager, a traffic safety fund to account for receipts from the Traffic Safety Program, a Park Vista Fund to account for maintenance assessment on four acres of land annexed by the City, a Watauga Parks Development Corporation Construction fund used to account for the acquisition and construction of major capital park facilities and equipment funded with resources from sales tax revenue bonds in the Park Development Debt Service Fund and revenues generated from sale of property owned by the Parks Development Corporation, and an Equipment Replacement Fund used to purchase various replacement capital items in the City.

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

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

Following adoption of the budget by the City Council, the City Manager and department heads monitor expenditures/expenses and revenues throughout the year to ensure that the integrity of the budget is maintained. The Charter allows the City Manager to transfer appropriation balances among programs within a department, and provides for transfers of appropriation balances from one department to another upon approval of an ordinance by the City Council. The City Council may make amendments to the budget for unforeseen needs or emergencies. The City Manager is required to make monthly reports to the Council concerning the financial condition of the City.

Financial Condition. The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Watauga operates. The City of Watauga is a part of the "Southwest Metroplex" of north-central Texas, which included the cities of Dallas and Fort Worth and has a total population of almost 6.4 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 37th anniversary in 2011, covers approximately twenty-eight square miles and represents one of the largest facilities of its kind in the world. It contributes over $16 billion to the local economy.

The City of Watauga property values, like most of those nation-wide, declined in the current year. Total taxable value for all residential and commercial property in the City of Watauga fell from approximately $1.008 billion for FY2010 to about $972 million for FY2011. The taxable values for FY2012 are expected to decline one-percent from FY 2011. Economic conditions for the Metroplex seem to be improving faster than the national average, which may result in higher property tax values, thus higher property taxes given the same rate, and sales tax receipts.

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

Future Plans. The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2012 and subsequent years. Working within the framework of current financial constraints, the City will focus on street projects as well as upgrade/maintenance of the water/sewer system and drainage projects in the upcoming fiscal year and beyond. The City will continue to work toward the goal of enhancing the capabilities of the Police and Fire department, while maintaining existing citizen services. We are consolidating our jail and dispatch services with neighboring cities in order to decrease operational costs while providing the same level of service.

Cash Management. The City of Watauga maintains a minimum amount of cash in a checking account to meet the City's operational needs. Other funds are invested in compliance with the City's formal investment policy. The City's investment policy is approved annually by the City Council, and is compliant with Texas State law. The City's Investment Policy has achieved the Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The investment policy is very conservative and minimizes credit and market risks, while maintaining a competitive yield on our portfolio. The City's investment policy also stipulates the types of financial institutions with which the City may make investments and establishes specific collateral and safekeeping requirements.

At the end of FY2011, all non-depository investments were in local government investment pools (72%) or CDs (28%). The averaged weighted maturity of these investment pools ranged from 32 days to 83 days. The CDs were invested for periods of not more than two years. Interest rates for the year declined significantly from the prior year. The average yield for the quarter ended September 30, 2011 was 0.12% for investment pools and 0.68% for CDs.

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

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

Employee Retirement System. The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid-defined benefit plan in the statewide Texas Municipal Retirement System (TMRS). The City of Watauga is one of over 837 cities administered by TMRS, an agent multiple-employer public employee retirement system. Details of the plan can be found in Note 6 of the notes to the financial statements. For part-time employees that do not qualify for TMRS coverage, the City offers a 457 FICA Alternative plan through the Public Agency Retirement Services Plan (PARS).

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, 2010. 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-six consecutive years. We believe that our current comprehensive annual financial report continues to meet to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Watauga also received the GFOA's Distinguished Budget Presentation Award for our annual budget document for the fiscal year beginning October 1, 2010. This is the twenty-second 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 recently received its fifth 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 55 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,

Dr. Scott R. Neils,CPA,CGMA,CMA,CGFO
City Manager

Sandra Morgan, CGFO
Director of Finance and Administration

CITY OF WATAUGA, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2011

Elected Officials	Position	Term Expires
Henry J. Jeffries	Mayor	2013
Patrick Shelbourne	Mayor Pro Tem, Council Member Place 6	2012
Brandon Krausse	Council Member - Place 1	2012
Robert Davis	Council Member - Place 2	2012
Gary Johnson	Council Member - Place 3	2013
James Wright	Council Member - Place 4	2013
Russell Clements	Council Member - Place 5	2013
Tim Nickerson	Council Member - Place 7	2012

Appointed Officials	Position
Dr. Scott R. Neils, CPA, CMA, CGFO	City Manager
Mark G. Daniel	City Attorney
Deeanna Looney	City Secretary
Johnnie Reagan	Public Works Director
Lana Ewell	Library Director
Sal Torres	Parks and Community Services Director
Lowell Cannady	Police Chief
Bill Crawford	Fire Chief
Sandra Morgan	Director of Finance and Administration

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, 2010

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

President

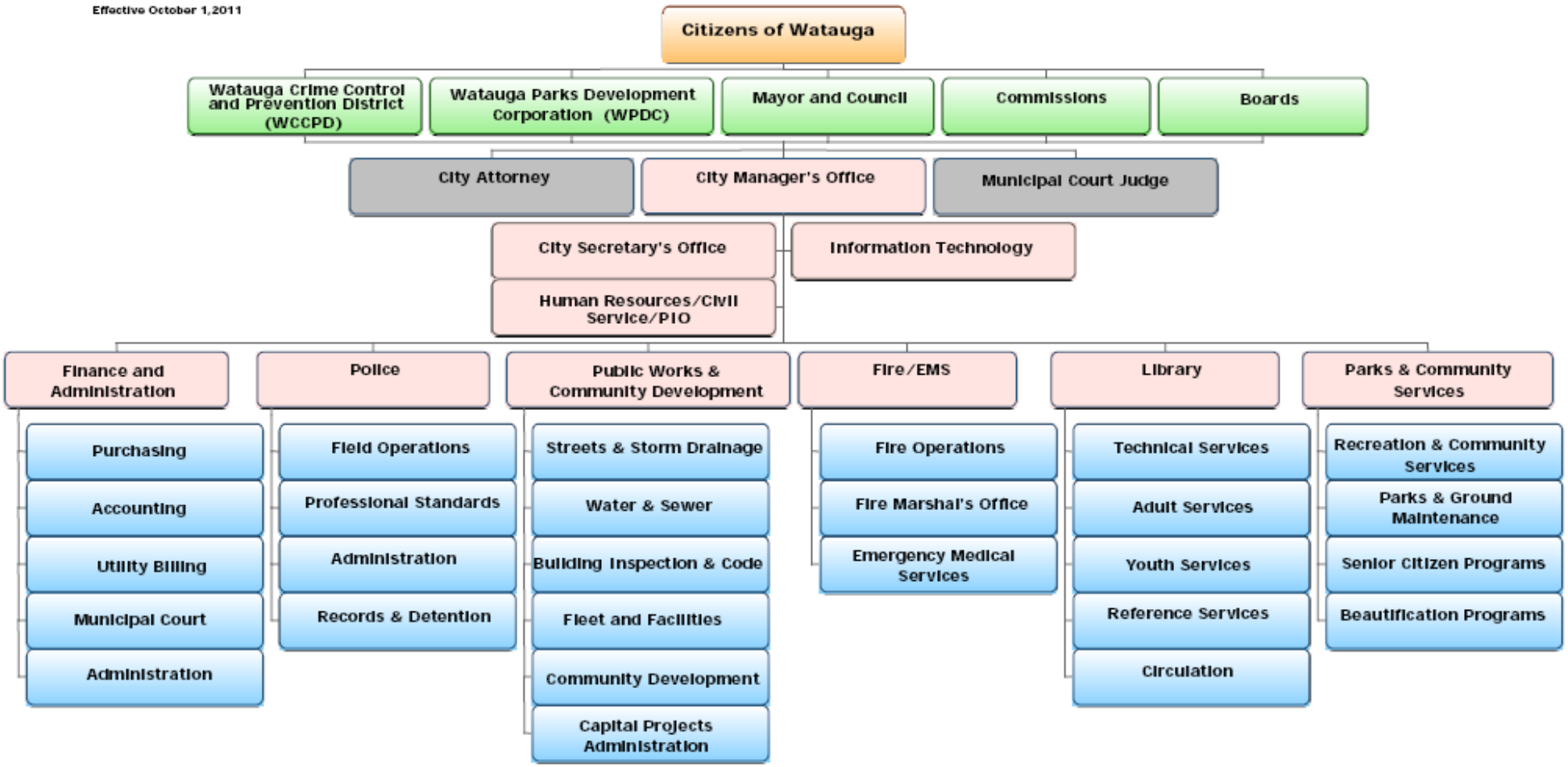
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2010. The City of Watauga has received the Certificate of Achievement, which is a prestigious national award, for the last twenty-six consecutive years.

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

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

CITY OF WATAUGA
ORGANIZATIONAL CHART



FINANCIAL SECTION

Null-Lairson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Watauga, Texas (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 13, schedule of funding progress for participation in Texas Municipal Retirement System on page 51, and budgetary comparison information on pages 52 to 53, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during out audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The information in the introductory section and statistical section listed in the foregoing table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Null Larson, PC

Houston, Texas
February 27, 2012

On behalf of City Council, we, as management of the City of Watauga, offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011.

We encourage readers to consider the information presented here in conjunction with our Letter of Transmittal and the Statistical Section which can be found on pages i-vi and pages 72-92 of this report respectively. Also, you may review additional information on the annual budget and other community facts and figures on the City's website at www.ci.watauga.tx.us.

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

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

- At September 30, 2011, Government-Wide Total Assets exceeded Total Liabilities by $63,966,284 (Net assets) or an increase of $1,294,217 over the prior year.
    - Governmental Activities Total Net Assets increased by $1,021,317 due primarily to an increase in net revenues.
    - Business-Type Activities Total Net Assets increased by $272,900 due primarily to increased water revenues for this fiscal year.
- Of Total Government-Wide Net Assets, $17,360,123 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of $4,831,085 from the prior year. This was primarily due to increases in net revenues.
- Total Governmental Funds ending balance was $16,621,953, an increase of $2,749,892. The Unassigned General Fund balance is $6,136,979, or 57% of total General Fund expenditures.
- The City's total long-term debt increased from $22,199,388 to $27,881,957 or $5,682,569 due to the issuance of $7.365 million in certificates of obligation during the fiscal year. This increase of debt was offset by debt service payments made this fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

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

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

The government-wide financial statements can be found on pages 14 through 15 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and an (3) internal service.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 14 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service and Capital Projects funds, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget. Budgetary comparison schedules have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20-24 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 25-48 of this report.

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

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and supporting schedules can be found on pages 56-69 of this report.

Government-Wide Financial Analysis

Total Assets of the City are $94,578,995. Capital assets, net of depreciation, represent the largest portion of the City's assets ($67,042,637, or 70.9%) and include land, buildings, improvements, equipment, infrastructure, and construction-in-progress, less any debt still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Assets may serve as a useful indicator of a government's financial position. As of September 30, 2011, the City of Watauga's assets exceeded liabilities by $63,966,284 (Net Assets).

Net Assets Invested in Capital Assets, Net of Related Debt is $45,853,555. 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 resources, since the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets are $752,606, or 1.2% of total net assets, and represent resources that are subject to external restrictions on how they may be used. The remaining balance of total net assets is unrestricted ($17,360,123 or 27.1%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of $1,294,217 or 2.1% in total net assets during the fiscal year. Governmental activities showed an increase of $1,021,317, while Business-type activities showed a net increase of $272,900.

As of September 30, 2011, 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.

Governmental activities. Governmental activities total increase in net assets was $1,021,317 or 2.5% over the prior year, accounting for the majority of the growth in total net assets.
Key elements of activity changes from the prior year are as follows:

- Total revenues increased by $908,911 or 6.1% from the prior year, while expenses increased by $1,409,829 or 10.2%.
- Fees, Fines, and Charges for Services revenue increased $632,651 or 29.5%. This was primarily due to the addition of the Traffic Safety Fund revenues the City began receiving in December 2010. This was offset by a decline in the fines and forfeitures revenues attributed to lower citations in comparison to the prior year.
- Total tax revenues increased $342,038 due primarily to an increase in sales tax of $481,298 and an increase of $176,784 in franchise taxes. These increases were offset by a decrease in property taxes of $320,632 this fiscal year due to a decline in property tax valuations. Investment income declined this year due to continued lower interest rates. This year's decline was $31,122 which is considerably less than the previous year's decline of $210,874 . While both tax revenues and interest income have been impacted by the eroding economic climate in the country, it does appear that the economy is beginning a recovery, which we believe will stabilize tax revenues.

Business-type activities. Business-type activities increased the City's net assets by $272,900, accounting for 21.1% of the total growth in net assets.

Significant changes from the prior year include:

- Total revenues increased by $330,806 or 4.5%
    - Fees, Fines, and Charges for Services revenue increased $341,061 or 4.6% due to an increased water consumption attributable to drought conditions in the North Texas area.
    - Interest earnings declined by $10,255 or 42.5% due to lower interest rates on investments.
- Total expenses increased by $9,589 or 0.1%. This was due primarily to a slight increase in drainage utility expenses of $71,297 or 8.5% with a slight decrease in water and - sewer expenses of $61,278 or 1.0%.
-

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, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Watauga's governmental funds reported a combined ending fund balance of $16,621,953, which is an increase of $2,749,892 from the prior year. Unassigned fund balance $6,136,979 or 57% of the total governmental fund balance. Unassigned fund balance is available for spending at the government's discretion. The remainder of fund balance is in the form of 1) non-spendable for inventories ($19,280) and prepaid expenditures ($789,450), 2) restricted for capital acquisitions and contractual obligations ($5,179,695), retirement of fund indebtedness ($444,941), culture and recreation ($1,979,061), public safety ($2,034,849) and 3) assigned for other purposes - encumbrances, ($37,698).

The general fund is the primary operating fund of the City. The fund balance has decreased by a net $173,774 over the prior year, to $6,193,957. This was less than the budgeted decrease due to greater than anticipated revenues. The G.O. Capital Projects Fund increased by $2,018,116 over the prior year to an ending balance of $4,987,251 primarily due to proceeds from the issuance of debt during the fiscal year. The G.O. Debt Service fund decreased by $105,856 over the prior year, to $209,268 as a result of scheduled principal and interest payments.

Other Governmental Funds showed a $1,011,406 increase in fund balance from the prior year.

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

Unrestricted net assets of the respective proprietary funds are Water/Sewer at $4,526,527 and Drainage Utility at $1,168,620. The proprietary funds had a combined net asset increase of $285,453. The Water/Sewer fund had an increase in the net assets of $529,338, while the Drainage Utility had a net asset decrease of $243,885. The adjustments for consolidation of the Internal Service fund included an additional loss of $12,553.

Budgetary Highlights

The City Council made budget adjustments for General Fund expenditures in the amount of $298,840 in FY2011. Actual total expenditures were significantly under budget for the year. There was an overall positive variance with final budget for the General Fund of $1,428,194. A major component in this positive variance was higher than forecasted revenues of $1,111,511 primarily from higher tax receipts.

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, 2011 amount to $67,042,637 (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 $1,598,051. This was primarily from purchase of new assets with proceeds from bonds issued during the fiscal year.

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

- Increase of $3,212,904 in buildings related to completion of the new Fire/EMS station and improvements to the library (roof and carpeting), and water tower improvements.
- Depreciation expense of $2,125,900

Additional information on the City's capital assets can be found in Note 3 of this report.
Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $27,881,957. Of this amount, $22,880,000 comprises debt back by the full faith and credit of the government. The City has $985,000 in Revenue Bond debt, which is secured by sales tax revenues of the Parks Development Corporation. There is a balance of $255,921 for Deferred Loss on Refunding, and $221,797 for Bond Premiums which remain to be amortized.

Other debt includes $767,230 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair, $2,665,800 in Compensated Absences for employee earned, but unpaid, vacation and sick leave, and $618,051 owed on a Capital Lease for equipment.

During the current fiscal year, the City's total debt increased by $5,682,569, which includes a $355,977 increase in compensated balances.

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

Economic Factors and Next Year's Budgets and Rates

The City of Watauga faces challenges in the next fiscal year and beyond. We have experienced declining revenues with an increased demand for services and the need to replace aging infrastructure. The City has experienced a decline of almost $78,000,000 in taxable property values over the last few years, and a reduction of almost $425,000 in property tax receipts over time. In FY2012, property valuations are expected to decline another one-percent. Thus, the City Council adopted the effective tax rate of $.589001 for FY2012, an increase of $.008238 over last year's rate of $.580763 in order to stop the revenue decline. Sales taxes revenues have stabilized and are showing increases of 4% over the prior year. These revenues are expected to remain steady and are forecasted to remain flat in FY2012. General Fund expenditures are expected to rise due to increased medical costs and the addition of two full-time positions in FY2012. In addition, the General Fund's budget for FY2012 includes one-time capital purchases totaling $485,000.

Water and Sewer fund revenues are expected in increase substantially due to a 30% increase in water and sewer rates. This increase is needed to sustain the fund and increase working capital for much needed infrastructure projects. The Storm Drain fees are expected to increase substantially as well due to a 100% increase in this fee. The Storm Drain increase in fees will pay for equipment needed and additional drainage projects throughout the City.

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: Sandra Morgan, CGFO, Director of Finance and Administration by phone at 817-514-5822, or by email at smorgan@cowtx.org.

Table 1

Statement of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 18,852,561	16,255,772	$ 8,683,797	$ 5,967,832	$ 27,536,358	$ 22,223,604
Capital assets	43,597,002	41,405,274	23,445,635	24,039,312	67,042,637	65,444,586
Total Assets	62,449,563	57,661,046	32,129,432	30,007,144	94,578,995	87,668,190
Long-term liabilities outstanding	18,890,438	13,229,077	8,991,518	5,986,060	27,881,956	19,215,137
Other liabilities	1,321,229	3,215,390	1,409,526	2,565,596	2,730,755	5,780,986
Total Liabilities	20,211,667	16,444,467	10,401,044	8,551,656	30,612,711	24,996,123
Net assets:						
Invested in capital assets, net of related debt	32,223,143	32,581,629	13,630,412	17,035,479	45,853,555	49,617,108
Restricted	714,041	489,133	38,565	36,788	752,606	525,921
Unrestricted	9,300,712	8,145,817	8,059,411	4,383,221	17,360,123	12,529,038
Total Net Assets	$ 42,237,896	$ 41,216,579	$ 21,728,388	$ 21,455,488	$ 63,966,284	$ 62,672,067

Table 2

Statement of Change in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Fees, fines and charges for services	$ 2,780,756	$ 2,148,105	$ 7,743,318	$ 7,402,257	$ 10,524,074	$ 9,550,362
Operating grants and contributions	20,646	62,761			20,646	62,761
Capital grants and contributions	168,941	161,482			168,941	161,482
General revenue						
Property taxes	5,627,282	5,947,914			5,627,282	5,947,914
Sales taxes	5,626,261	5,144,963			5,626,261	5,144,963
Franchise taxes	1,216,628	1,039,844			1,216,628	1,039,844
Payment in lieu of taxes	370,075	360,928			370,075	360,928
Penalties and interest	40,246	44,805			40,246	44,805
Interest on investments	38,733	69,855	13,860	24,115	52,593	93,970
Gain (loss) on sale of assets						
Total Revenues	15,889,568	14,980,657	7,757,178	7,426,372	23,646,746	22,407,029
Expenses						
General government	5,631,743	5,051,415			5,631,743	5,051,415
Public safety	4,754,148	4,431,774			4,754,148	4,431,774
Culture and recreation	2,372,064	2,136,811			2,372,064	2,136,811
Public works	2,008,511	1,648,292			2,008,511	1,648,292
Interest on long-term debt	471,940	560,285	303,789	304,219	775,729	864,504
Water and sewer			5,895,347	5,956,625	5,895,347	5,956,625
Drainage Utility			914,987	843,690	914,987	843,690
Total Expenses	15,238,406	13,828,577	7,114,123	7,104,534	22,352,529	20,933,111
Increase (decrease) in net assets before transfers	651,162	1,152,080	643,055	321,838	1,294,217	1,473,918
Transfers	370,155	360,928	(370,155)	(360,928)		
Increase (decrease) in net assets after transfers	1,021,317	1,513,008	272,900	(39,090)	1,294,217	1,473,918
Net assets - beginning	41,216,579	39,703,571	21,455,488	21,494,578	62,672,067	61,198,149
Net assets - ending	$ 42,237,896	$ 41,216,579	$ 21,728,388	$ 21,455,488	$ 63,966,284	$ 62,672,067

Table 3

Statement of Change in Net Assets - Change from Prior Year

	Governmental Activities		Business-Type Activities		Total	
	$	%	$	%	$	%
Revenues						
Program Revenues						
Fees, Fines and Charges for Service	$632,651	29.5%	$341,061	4.6%	$973,712	10.2%
Operating Grant and Contributions	($42,115)	-67.1%			-$42,115	-67.1%
Capital Grant and Contributions	$7,459	4.6%			$7,459	4.6%
General Revenues						
Property Taxes	($320,632)	-5.4%			-$320,632	-5.4%
Sales Taxes	$481,298	9.4%			$481,298	9.4%
Franchise Taxes	$176,784	17.0%			$176,784	17.0%
Payment in Lieu of Taxes	$9,147	2.5%			$9,147	2.5%
Penalties and Interest	($4,559)	-10.2%			-$4,559	-10.2%
Interest on Investments	(31,122)	-44.6%	($10,255)	-42.5%	-$41,377	-44.0%
Total Revenues	$908,911	6.1%	$330,806	4.5%	$1,239,717	5.5%
Expenses						
General Government	$580,328	11.5%			$580,328	
Public Safety	$322,374	7.3%			$322,374	
Culture and Recreation	$235,253	11.0%			$235,253	
Public Works	$360,219	21.9%			$360,219	
Interest on Long-Term Debt	($88,345)	-15.8%	($430)	-0.1%	($88,775)	-10.3%
Water and Sewer			($61,278)	-1.0%	($61,278)	-1.0%
Drainage Utility			$71,297	8.5%	$71,297	8.5%
Total Expenses	$1,409,829	10.2%	$9,589	0.1%	$1,419,418	6.8%
Increase (Decrease) in Net Assets Before Transfers	-$500,918	-43.5%	$321,217	99.8%	-$179,701	-12.2%
Transfers	$9,227	2.6%	($9,227)	2.6%		
Increase (Decrease) in Net Assets	-$491,691	-48.1%	$311,990	-798.1%	-$179,701	-12.2%
Net Assets 9/30 Prior Year	$1,513,008	3.8%	-$39,090	-0.2%	$1,473,918	2.4%
Change in Net Assets 9/30 Current Year	$1,021,317	2.5%	$272,900	1.3%	$1,294,217	2.1%

Table 4

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

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	$ 19,019,600	$ 19,019,600	$ 91,000	$ 91,000	$ 19,110,600	$ 19,110,600
Construction in progress	829,697	1,063,744			829,697	1,063,744
Buildings and improvements	15,663,123	12,800,580	2,483,709	2,543,079	18,146,832	15,343,659
Improvements other than buildings	95,619	97,639			95,619	97,639
Equipment	1,872,491	1,489,581	387,187	376,154	2,259,677	1,865,735
Drainage improvements			9,607,587	9,945,896	9,607,586	9,945,896
Infrastructure	6,116,472	6,934,130			6,116,471	6,934,130
Waterworks and sanitary sewer system			10,876,152	11,083,183	10,876,151	11,083,183
Total Capital Assets	$ 43,597,002	$ 41,405,274	$ 23,445,635	$ 24,039,312	$ 67,042,637	$ 65,444,586

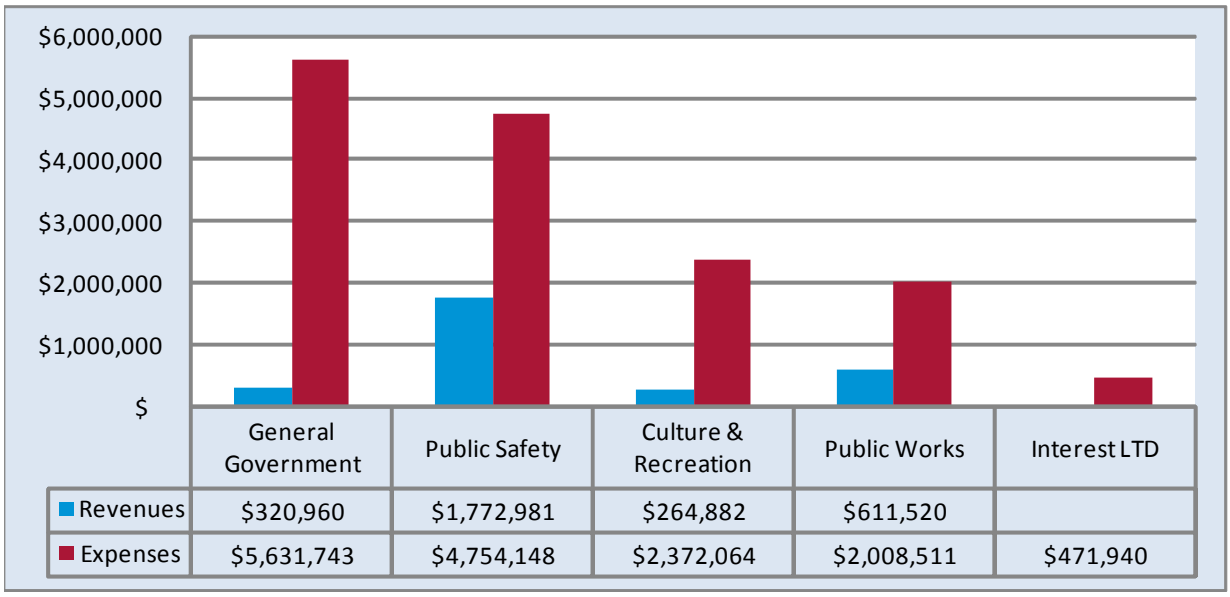
Table 5

Statement of City of Watauga's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	3,560,000	3,965,000	5,800,000	6,815,000	$ 9,360,000	$ 10,780,000
Certificates of obligation	10,740,000	7,090,000	2,780,000	230,000	13,520,000	7,320,000
Revenue bonds	985,000	1,165,000			985,000	1,165,000
Notes payable	767,230	813,476			767,230	813,476
Capital lease obligations	618,051				618,051	
Compensated absences payable	2,266,827	2,015,034	398,973	294,789	2,665,800	2,309,823
Deferred loss on refunding	(126,658)	(147,744)	(129,263)	(41,167)	(255,921)	(188,911)
Unamortized bond premium	79,988		141,809		221,797	
	$ 18,890,438	$ 14,900,766	$ 8,991,519	$ 7,298,622	$ 27,881,957	$ 22,199,388

Figure 1

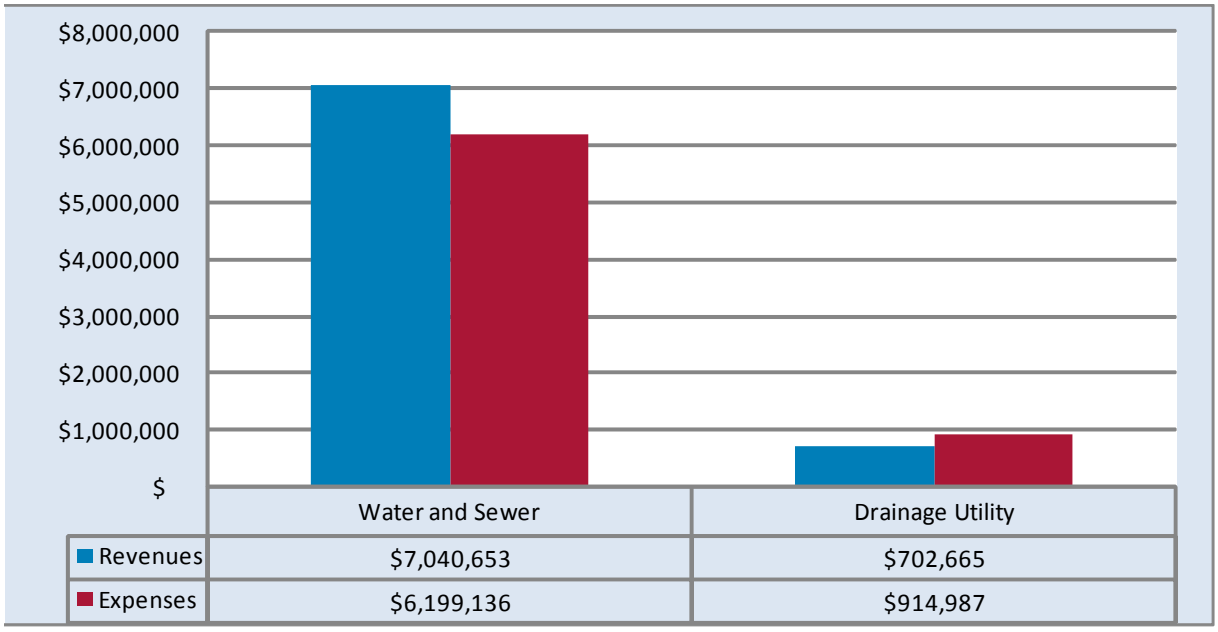
Revenues and Program Expenses – Governmental Activities



	General Government	Public Safety	Culture & Recreation	Public Works	Interest LTD
Revenues	$320,960	$1,772,981	$264,882	$611,520	
Expenses	$5,631,743	$4,754,148	$2,372,064	$2,008,511	$471,940

Figure 2

Revenues and Program Expenses – Business-Type Activities



	Water and Sewer	Drainage Utility
Revenues	$7,040,653	$702,665
Expenses	$6,199,136	$914,987

CITY OF WATAGUA, TEXAS
GOVERNMENT WIDE - STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	$ 6,465,502	$ 2,180,944	$ 8,646,446
Investments	9,179,505	5,326,455	14,505,960
Receivables, net of allowance for uncollectibles	2,136,323	1,002,477	3,138,800
Inventories	19,280	4,789	24,069
Prepaid items	789,450		789,450
Restricted cash and equivalents		38,565	38,565
Deferred charges	262,501	130,567	393,068
Capital assets:			
Land	19,019,600	91,000	19,110,600
Buildings and improvements	15,663,123	2,483,709	18,146,832
Improvements other than buildings	95,619		95,619
Equipment	1,872,491	387,187	2,259,678
Assets purchased under capital lease			
Drainage improvements		9,607,587	9,607,587
Infrastructure	6,116,472		6,116,472
Waterworks and sanitary sewer system		10,876,152	10,876,152
Construction in progress	829,697		829,697
Total Capital Assets	43,597,002	23,445,635	67,042,637
Total Assets	62,449,563	32,129,432	94,578,995
LIABILITIES			
Accounts payable	645,646	461,804	1,107,450
Accrued liabilities	456,788	44,386	501,174
Accrued interest	95,353	76,441	171,794
Unearned revenues	86,398		86,398
Customer deposits	37,044	826,895	863,939
Long-term liabilities:			
Due within one year	1,609,205	1,289,011	2,898,216
Due in more than one year	17,281,233	7,702,507	24,983,740
Total Liabilities	20,211,667	10,401,044	30,612,711
NET ASSETS			
Invested in capital assets, net of related debt	32,223,143	13,630,412	45,853,555
Restricted for:			
Debt service	714,041	38,565	752,606
Unrestricted	9,300,712	8,059,411	17,360,123
Total Net Assets	$ 42,237,896	$ 21,728,388	$ 63,966,284

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

CITY OF WATAGUA, TEXAS
GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
September 30, 2011

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government							
Governmental activities							
General government	$ 5,631,743	$ 320,960	$	$	$ (5,310,783)	$	$ (5,310,783)
Public safety	4,754,148	1,772,981			(2,981,167)		(2,981,167)
Culture and recreation	2,372,064	244,236	20,646		(2,107,182)		(2,107,182)
Public works	2,008,511	442,579		168,941	(1,396,991)		(1,396,991)
Interest on long-term debt	471,940				(471,940)		(471,940)
Total governmental activities	15,238,406	2,780,756	20,646	168,941	(12,268,063)		(12,268,063)
Business-type activities:							
Water and Sewer	6,199,136	7,040,653				841,517	841,517
Drainage Utility	914,987	702,665				(212,322)	(212,322)
Total business-type activities	7,114,123	7,743,318				629,195	629,195
Total primary government	$ 22,352,529	$ 10,524,074	$ 20,646	$ 168,941	(12,268,063)	629,195	(11,638,868)
	General revenues:						
	Taxes:						
	Property taxes, levied for general purposes				5,627,282		5,627,282
	Sales taxes				5,626,261		5,626,261
	Franchise taxes				1,216,628		1,216,628
	Payment in lieu of taxes				370,075		370,075
	Penalties and interest				40,246		40,246
	Interest on investments				38,733	13,860	52,593
	Transfers				370,155	(370,155)	
	Total general revenues and transfers				13,289,380	(356,295)	12,933,085
	Change in net assets				1,021,317	272,900	1,294,217
	Net assets - beginning				41,216,579	21,455,488	62,672,067
	Net assets - ending				$ 42,237,896	$ 21,728,388	$ 63,966,284

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

CITY OF WATAGUA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	G.O. Debt Service Fund	G.O. Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,745,298	$ 81,754	113,423	$ 2,317,970	$ 6,258,445
Investments	2,013,233	146,814	4,246,089	2,602,648	9,008,784
Receivables, net of allowance for uncollectibles					
Property taxes	92,944	38,765			131,709
Accounts receivable	1,312,911			691,703	2,004,614
Prepaids and deposits			789,450		789,450
Inventory of supplies	19,280				19,280
Total Assets	7,183,666	$ 267,333	$ 5,148,962	$ 5,612,321	$ 18,212,282
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	132,572	$	160,362	$ 352,712	$ 645,646
Accrued liabilities	391,477		1,349	28,132	420,958
Accrued interest payable		19,300			19,300
Deposits	37,044				37,044
Deferred revenue	428,616	38,765			467,381
Total Liabilities	989,709	58,065	161,711	380,844	1,590,329
Fund balances:					
Non-Spendable					
Inventories	19,280				19,280
Prepaid items			789,450		789,450
Restricted					
Capital acquisitions and contractual obligations			4,197,801	981,894	5,179,695
Debt service		209,268		235,673	444,941
Culture and recreation				1,979,061	1,979,061
Public safety				2,034,849	2,034,849
Assigned					
Other purposes	37,698				37,698
Unassigned	6,136,979				6,136,979
Total Fund balances	6,193,957	209,268	4,987,251	5,231,477	16,621,953
Total Liabilities and Fund Balances	$ 7,183,666	$ 267,333	5,148,962	$ 5,612,321	$ 18,212,282

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

CITY OF WATAGUA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2011

Total fund balance - governmental funds	$	16,621,953
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.		43,597,002
Costs associated with the issuance of governmental long-term debt are expenses when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements.		262,501
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.		(76,053)
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.		377,778
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		345,153
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.		(18,890,438)
Net assets of governmental activities	$	42,237,896

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

CITY OF WATAGUA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2011

	General Fund	G.O. Debt Service Fund	G.O. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 8,100,620	$ 1,672,087	$	$ 2,750,588	$ 12,523,295
Licenses and permits	262,778				262,778
Charges for services	744,497			694,794	1,439,291
Fines and forfeitures	680,564				680,564
Interest income	19,022	1,074	7,318	10,226	37,640
Intergovernmental	370,075				370,075
Miscellaneous	389,319		168,941	90,293	648,553
Total Revenues	10,566,875	1,673,161	176,259	3,545,901	15,962,196
Expenditures					
Current:					
General government	5,529,085				5,529,085
Public safety	3,127,667			1,351,107	4,478,774
Culture and recreation	1,368,362			711,705	2,080,067
Public works	776,906				776,906
Capital outlay			3,761,237	174,643	3,935,880
Debt Service:					
Principal		1,360,000		180,000	1,540,000
Interest and other charges		436,185	119,793	35,755	591,733
Total Expenditures	10,802,020	1,796,185	3,881,030	2,453,210	18,932,445
Excess (deficiency) of revenues over expenditures	(235,145)	(123,024)	(3,704,771)	1,092,691	(2,970,249)
Other Financing Sources (Uses)					
General obligation debt issued			4,585,000		4,585,000
General obligation refunding bonds issued		1,020,000			1,020,000
Premium on general obligation debt			81,836		81,836
Proceeds from capital lease			618,051		618,051
Payments to refunded bond escrow agent		(1,002,832)			(1,002,832)
Proceeds from sale of assets	42,431			5,500	47,931
Transfers in	457,200		438,000	240,295	1,135,495
Transfers out	(438,260)			(327,080)	(765,340)
Total other financing sources and uses	61,371	17,168	5,722,887	(81,285)	5,720,141
Net change in fund balances	(173,774)	(105,856)	2,018,116	1,011,406	2,749,892
Fund balances - beginning	6,367,731	315,124	2,969,135	4,220,071	13,872,061
Fund balances - ending	$ 6,193,957	$ 209,268	$ 4,987,251	$ 5,231,477	$ 16,621,953

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

CITY OF WATAGUA, TEXAS
RECONCILIAITON OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OFGOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITES
Year Ended September 30, 2011

Net change in fund balances - total governmental funds	$	2,749,892
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, the 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.		3,771,273
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.		(1,512,670)
Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Actvities reports only the gain on the sale of the asset. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold and disposed.		(66,874)
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 assts. 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.		(3,622,382)
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.		(251,793)
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.		(73,721)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net revenue of the internal service funds is reported with business-type activities.		27,592
Change in net assets of governmental activities	$	1,021,317

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

CITY OF WATAGUA, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activites - Internal Service Funds
ASSETS	**Water and Sewer**	**Drainage Utility**	**Total Enterprise Funds**	
Current assets				
Cash and cash equivalents	$ 1,647,912	$ 533,032	$ 2,180,944	$ 207,057
Investments	4,712,548	613,907	5,326,455	170,721
Accounts receivable and unbilled revenue less allowance for uncollectables of $503,294 for water and sewer, and $14,884 for drainage utility	961,770	40,707	1,002,477	
Other assets	4,789		4,789	
sinking cash and cash equivalents	38,565		38,565	
Total current assets	7,365,584	1,187,646	8,553,230	377,778
Non-current assets:				
Bond issuance cost	379,028		379,028	
Less accumulated amortization	(248,461)		(248,461)	
Capital Assets:				
Land	91,000		91,000	
Buildings	3,198,812	34,160	3,232,972	154,384
Equipment	951,374	254,905	1,206,279	2,206,546
Street improvements		70,991	70,991	
Drainage improvements		16,672,519	16,672,519	
Waterworks and sanitary sewer system	13,675,208		13,675,208	
	17,916,394	17,032,575	35,079,536	2,360,930
Less Accumulated depreciation	(4,242,343)	(7,357,475)	(11,599,818)	(2,021,345)
Net utility plant and equipment in service	13,674,051	9,675,100	23,349,151	339,585
Total noncurrent assets	13,804,618	9,675,100	23,479,718	339,585
Total assets	$ 21,170,202	$ 10,862,746	$ 32,032,948	$ 717,363

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

CITY OF WATAGUA, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activites - Internal Service Funds
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
LIABILITIES				
Current liabilities				
Payable from current assets				
Accounts payable	$ 459,116	$ 2,688	$ 461,804	$
Accrued liabilities	35,520	8,866	44,386	
Current portion of compensated absences	58,861	7,472	66,333	
Current portion of bonds payable	1,222,678		1,222,678	
Deposits	826,895		826,895	
Accrued interest	76,441		76,441	
Total current liabilities	2,679,511	19,026	2,698,537	
Noncurrent liabilities:				
Bonds payable	7,369,867		7,369,867	
Compensated absences	251,550	81,090	332,640	
Total non-current liabilities	7,621,417	81,090	7,702,507	
Total liabilities	10,300,928	100,116	10,401,044	
NET ASSETS				
Invested in capital assets, net of related debt	6,304,184	9,594,010	15,898,194	339,585
Restricted for debt service	38,563		38,563	
Unrestricted	4,526,527	1,168,620	5,695,147	377,778
Total Net Assets	$ 10,869,274	$ 10,762,630	21,631,904	$ 717,363
Reconciliation to government-wide statement of net assets				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			96,484	
Net assets of business-type activites			$ 21,728,388	

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

CITY OF WATAGUA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2011

	Business-type Activities			Governmental Activities - Internal
	Water and Sewer	Drainage Utility	Total Enterprise	
Operating revenues				
Water service	$ 4,103,856	$	$ 4,103,856	$
Sewer service	2,551,766		2,551,766	
Drainage fees		702,665	702,665	
Service fees and miscellaneous	385,031		385,031	26,500
Total operating revenues	7,040,653	702,665	7,743,318	26,500
Operating expenses				
General and administrative	569,496	1,052	570,548	
Sewer distribution	1,663,426		1,663,426	
Water distribution	2,483,001		2,483,001	
Personnel services		400,709	400,709	
Nondepartmental	679,669	70,073	749,742	
Billing and collections	69,103		69,103	
Supplies		42,385	42,385	
Repairs and maintenance	137,217	49,488	186,705	
Contractual services		3,845	3,845	
Depreciation and amortization	253,242	347,435	600,677	113,319
Total operating expenses	5,855,154	914,987	6,770,141	113,319
Operating income (loss)	1,185,499	(212,322)	973,177	(86,819)
Non-operating revenues (expenses)				
Investment income	10,723	3,137	13,860	1,093
Other Sources	19,409		19,409	
Bond Issuance Costs	(47,049)		(47,049)	
Interest expense	(303,789)		(303,789)	
Total Non-operating revenue (expenses), net	(320,706)	3,137	(317,569)	1,093
Income (loss) before transfers	864,793	(209,185)	655,608	(85,726)
Transfers in				
Transfers out	(335,455)	(34,700)	(370,155)	
Change in net assets	529,338	(243,885)	285,453	(85,726)
Total net assets - beginning of the year	10,339,936	11,006,515		803,089
Total net assets - ending of the year	$ 10,869,274	$ 10,762,630		$ 717,363

Reconciliation to government-wide statement of net assets

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(12,553)
Change in net assets of business-type activites	$ 272,900

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

CITY OF WATAGUA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2011

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
OPERATING ACTIVITIES				
Cash received from customers	$ 6,951,913	$ 693,416	$ 7,645,329	$ 26,500
Cash payments to suppliers for goods and services	(4,069,301)	(171,771)	(4,241,072)	
Cash payments to employees for services	(1,336,216)	(390,933)	(1,727,149)	
Net cash provided (used) by operating activities	1,546,396	130,712	1,677,108	26,500
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(335,455)	(34,700)	(370,155)	
Net cash provided by (used by) noncapital financing activities	(335,455)	(34,700)	(370,155)	
CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital expenditures				
Repayment of debt	(1,245,000)		(1,245,000)	
Proceeds from issuance of debt	2,780,000		2,780,000	
Interest paid on debt	(252,056)		(252,056)	
Issuance costs	(53,030)			
Net cash used in capital and related financing activities	1,229,914		1,282,944	
INVESTING ACTIVITIES				
Investment income	10,723	3,137	13,860	1,093
Purchase of investments	(2,333,079)	(100,218)	(2,433,297)	4,485
Net cash provided by (used by) investing activities	(2,322,356)	(97,081)	(2,419,437)	5,578
Net change in cash and cash equivalents	118,499	(1,069)	170,460	32,078
Cash and equivalents, beginning of year	1,567,978	534,101	2,102,079	174,979
Cash and equivalents, at end of year	$ 1,686,477	$ 533,032	$ 2,219,509	$ 207,057

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

CITY OF WATAGUA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2011
(CONTINUED)

	Business-Type Activities			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)	$ 1,185,499	$ (212,322)	$ 973,177	$ (86,819)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	253,242	347,435	600,677	113,319
(Increase) decrease in accounts receivable and unbilled revenue	(96,441)	(9,561)	(106,002)	
(Increase) decrease in prepaids and deposits		312	312	
Increase (decrease) in accounts payable	135,793	(4,928)	130,865	
Increase (decrease) in accrued liabilities	(23,709)	(10,097)	(33,806)	
Increase (decrease) in compensated absences	84,311	19,873	104,184	
Increase (decrease) in deposits	7,701		7,701	
Net cash provided by operating activities	$ 1,546,396	$ 130,712	$ 1,677,108	$ 26,500
Reconciliation of cash to balance sheet				
Cash - current	$ 1,647,912	$ 533,032	$ 2,180,944	$ 207,057
Cash - bond interest and sinking	38,565		38,565	
Cash and cash equivalents	$ 1,686,477	$ 533,032	$ 2,219,509	$ 207,057

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005 and November 6, 2007. The City operates under a Mayor-Council-Manager form of government. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments.

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

Financial Reporting Entity

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (continued)

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

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

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. 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 function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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:

Water and Sewer Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Drainage Utility Fund

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

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

Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to $2.50 per $100 of assessed valuation. The City's current tax rate is $0.580763 per $100 of assessed valuation ($0.580763 per $100 last year) and assessed valuation is approximately 100% of estimated value. The current rate has been in effect since fiscal year 2004.

Prepaid Items

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

Inventories

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

Interfund Receivables and Payables

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

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 cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

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

Buildings and improvements	50 years
Improvements other than buildings	10 years
Equipment	3-10 years
Drainage Improvements	50 years
Infrastructure	9-50 years
Waterworks and sanitary sewer system	60 years

Compensated Absences

City employees are granted vacation, sick and other compensated time pay in varying amounts. In the event of termination, an employee is reimbursed for accumulated unused vacation days up to a maximum of 60 days if the employee has completed their probationary period of six months for non-civil service employees or at least one year for civil service employees. Other compensated time is reimbursed in full upon termination without regard to length of service. All employees are reimbursed up to 100% of 90 days for accumulated unused sick leave. The total liability for compensated absences at September 30, 2011 was $2,665,800, including $398,973 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for capital acquisitions and contractual obligations, retirement of fund indebtedness and other state restrictions have been properly classified in the Governmental Funds Balance Sheet.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority. The City has assigned fund balances for encumbrances in the amount of $37,698 in the general fund.

Unassigned fund balance – amounts that are available for any purpose.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Per the City's policy, assigned fund balance amounts are established by the City Manager.

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

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. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

NOTE 2 - DEPOSITS (CASH) 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	Final Stated Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Public funds investment pool	N/A	100%	None
Certificates of deposit	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
No-load money market mutual funds	5 years	50%	None
Repurchase agreements	5 years	50%	None
State of Texas securities	5 years	50%	None
U.S. agency obligations	5 years	50%	None
Commercial paper	5 years	10%	None

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.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (CONTINUED)

Deposits and investments as of September 30, 2011, are classified in the accompanying financial statements as follows:

Governmental Activities	$	15,645,007
Business Type Activities		7,545,964
	$	23,190,971

Deposits and investments as of September 30, 2011, consist of the following:

Deposits with financial institutions	$	866,670
Investments		22,324,299
	$	23,190,969

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

Disclosures Relating to Interest Rate Risk

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

As of September 30, 2011, the City had the following investments:

Investment Type		Amount	Weighted Average Maturity
TexPool	$	8,404,240	48 days
TexPool Prime		967,006	37 days
Texas Term		442,842	50 days
LOGIC		5,953,710	41 days
Frost CDs		6,556,501	96 Days
	$	22,324,299	

As of September 30, 2011, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

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 Rating Required	Actual Investment Rating
TexPool	$ 8,404,240	AAA	AAAm
TexPool Prime	967,006	AAA	AAAm
Texas Term	442,842	AAA	AAAf
LOGIC	5,953,710	AAA	AAA
Frost CDs	6,556,501	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, 2011, 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 of $250,000 at all times.

At September 30, 2011, the carrying amount of the City's cash on hand and deposits was $866,670 and the bank balance was $1,439,252. Of the bank balance, $250,000 was covered by federal depository insurance while the remaining $1,189,252 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

LOGIC is governed by a six member board and is an AAA-rated investment program tailored to the investment needs of local governments within the state of Texas and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC assists governments across Texas making the most of taxpayer dollars by allowing local officials to improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund. LOGIC is a 'Constant Dollar" net asset value pool and is 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 seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the Texas Term Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in Texas Term is the same as the value of Texas Term shares.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance September 30, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	$ 19,019,600			$ 19,019,600
Construction in progress	1,063,744	623,403	(857,450)	829,697
Total capital assets not being depreciated	20,083,344	623,403	(857,450)	19,849,297
Capital assets being depreciated				
Buildings and improvements	15,060,322	3,212,904		18,273,227
Improvements other than buildings	100,994			100,994
Equipment	7,358,599	792,415	(121,746)	8,029,268
Infrastructure	23,163,302			23,163,302
Total capital assets being depreciated	45,683,217	4,005,319	(121,746)	49,566,791
Less accumulated depreciation				
Buildings and improvements	2,259,742	322,805	27,557	2,610,104
Improvements other than buildings	3,355	2,020		5,375
Equipment	5,869,018	370,187	(82,429)	6,156,777
Infrastructure	16,229,172	817,658		17,046,830
Total accumulated depreciation	24,361,287	1,512,670	(54,872)	25,819,086
Total capital assets being depreciated, net	21,321,930	2,492,649	(66,874)	23,747,705
Governmental activities capital assets, net	$ 41,405,274	$ 3,116,052	$ (924,324)	$ 43,597,002

	Balance September 30, 2010	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2011
Business-Type Activities				
Capital assets not being depreciated				
Land	$ 91,000	$	$	$ 91,000
Construction in progress				
Total capital assets not being depreciated	91,000			91,000
Capital assets being depreciated				
Buildings and improvements	3,232,972			3,232,972
Equipment	1,312,265	19,553		1,331,818
Street and drainage improvements	16,743,510			16,743,510
Waterworks and sewer system	13,675,208			13,675,208
Total capital assets being depreciated	34,963,955	19,553		34,983,508
Less accumulated depreciation for				
Buildings and improvements	689,893	59,370		749,263
Equipment	936,111	8,520		944,631
Street and drainage improvements	6,797,614	338,309		7,135,923
Waterworks and sewer system	2,592,025	207,031		2,799,056
Total accumulated depreciation	11,015,643	613,230		11,628,873
Total capital assets being depreciated, net	23,948,312	(593,677)		23,354,635
Business-type activities capital assets, net	$ 24,039,312	$ (574,124)	$	$ 23,445,635

NOTE 3 - CAPITAL ASSETS (CONTINUED

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

Governmental activities	
General government	$ 209,075
Public safety	262,367
Culture and recreation	117,030
Public works	924,198
Total depreciation expense - Governmental Funds	$ 1,512,670
Business-Type activities	
Water and sewer	$ 253,242
Drainage	347,435
Internal Service Fund	12,553
Total depreciation expense - Business-Type Activities	$ 613,230

NOTE 4 - LONG-TERM DEBT

During the fiscal year ended September 30, 2011, the City issued $4,585,000 in combination tax and limited pledge revenue certificates of obligation for improvements to facilities, equipment and utilities systems. Of this amount, $4,585,000 was allocated for general government improvements while $2,780,000 was allocated for water and sewer improvements.

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2011:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	$ 2,855,000	$ 1,020,000	$ (315,000)	$ 3,560,000	$ 370,000
Certificates of obligation	8,200,000	4,585,000	(2,045,000)	10,740,000	810,804
Sales tax revenue bonds	1,165,000		(180,000)	985,000	185,000
Deferred loss on refunding bonds	(147,744)	(2,833)	23,919	(126,658)	(24,791)
Unamortized bond premium		81,836	(1,848)	79,988	5,574
Note payable	813,476		(46,246)	767,230	48,328
Capital lease obligations		618,051		618,051	119,106
Compensated absences	2,015,034	667,593	(415,800)	2,266,827	95,184
Total governmental activities	14,900,766	6,969,647	(2,979,975)	18,890,438	1,609,205
Business-Type Activities					
General obligation bonds	6,815,000		(1,015,000)	5,800,000	1,060,000
Certificates of obligation	230,000	2,780,000	(230,000)	2,780,000	164,196
Deferred loss on refunding bonds	(152,766)		23,503	(129,263)	(23,491)
Unarmortized bond premium	111,599	49,619	(19,409)	141,809	21,973
Compensated absences	294,789	179,925	(75,741)	398,973	66,333
Total Business-type Activities	7,298,622	3,009,544	(1,316,647)	8,991,519	1,289,011
Total government-wide activities	$ 22,199,388	$ 9,979,191	$ (4,296,622)	$ 27,881,957	$ 2,898,216

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Current Refunding

On August 23, 3011, the City issued General Obligation Refunding Bonds, Series 2011 totaling $1,020,000 with an interest rate of 1.95%. The bonds were issued at par. The City paid $17,167 in bond issuance costs. The reacquisition price exceeded the net carrying amount of the old debt by $2,833. These amounts are being netted against and amortized over the life of the new debt. The transaction resulted in an economic gain of $66,984 and a reduction of $72,093 in future debt service payments.

Prior Year Refunding of General Obligation and Sales Tax Bonds

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, there is no remaining balance outstanding at September 30, 2011.

General Obligation Bonds and Certificates of Obligation

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

Sales Tax Revenue Bonds

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

Capital Lease

In fiscal year 2011, a capital lease in the amount of $618,051 was used for the purchase of equipment. In fiscal year 2012, the City paid the balance of this lease in full.

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Amounts payable at September 30, 2011, are comprised of the following individual issues:

	Governmental	Business-Type
$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%.	$ 800,000	$
$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, 2016; interest at 1.50% to 3.55%.	985,000	
$5,000,000 Series 2005 Combination Tax and Limited Pledge Revenue Certificates of Obligtion due in annual installments of $70,000 to $600,000 through February 1, 2023; interest at 3.875% to 4.375%.	2,340,000	
$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%.	2,540,000	
$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%.	3,015,000	
$1,020,000 Series 2011 General Obligation Refunding Bonds due in annual installments of $135,000 to $160,000 through February 1, 2018; interest at 1.95%.	1,020,000	
$7,365,000 Series 2011 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of $315,000 to $660,000 through February 1, 2026; interest at 2.00% to 4.00%	4,585,000	2,780,000
$7,025,000 Series 2005 General Obligation Refunding Bonds due in annual installments of $40,000 to $835,000 through March 1, 2014; interest at 3.00% to 5.00%.		4,210,000
$2,430,000 Series 2008 General Obligation Refunding Bonds due in annual installments of $270,000 to $340,000 through March 1, 2016; interest at 3.12%.		1,590,000
Total Bonds Payable	15,285,000	8,580,000

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Amounts payable at September 30, 2011, are comprised of the following individual issues:

Note payable to City of North Richland Hills annual installments of $19,785, including interest at 4.5%, maturing February 2021.	156,553	
Note payable to City of North Richland Hills annual installments of $63,068, including interest at 4.5%, maturing October 2024.	610,677	
Total Notes Payable	767,230	
Total Bonds and Notes Payable	$ 16,052,230	$ 8,580,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2011, are as follows:

General Obligation Bonds

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2012	$ 370,000	$ 107,718	$ 1,060,000	$ 219,128	$ 1,756,846
2013	385,000	97,452	1,110,000	175,562	1,768,014
2014	395,000	85,356	1,150,000	133,112	1,763,468
2015	415,000	72,586	1,205,000	84,428	1,777,014
2016	430,000	59,452	1,275,000	28,679	1,793,131
2017 - 2020	1,565,000	101,866			1,666,866
	$ 3,560,000	$ 524,429	$ 5,800,000	$ 640,909	$ 10,525,338

Certificates of Obligation

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2012	$ 810,804	$ 383,708	$ 164,196	$ 86,124	$ 1,444,832
2013	837,495	336,118	192,505	70,019	1,436,137
2014	851,735	308,908	213,265	65,961	1,439,869
2015	750,509	283,587	209,491	61,734	1,305,321
2016	766,735	260,038	213,265	57,506	1,297,544
2017 - 2021	3,883,744	908,879	1,151,256	201,847	6,145,726
2022 - 2026	2,583,978	292,599	636,022	62,243	3,574,842
2027 - 2031	255,000	5,240			260,240
	$ 10,740,000	$ 2,779,077	$ 2,780,000	$ 605,434	$ 16,904,511

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Annual Requirements to Retire Debt Obligations (continued)

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2011, are as follows:

Revenue Bonds

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2012	$ 185,000	29,880	$	$	$ 214,880
2013	190,000	24,136			214,136
2014	195,000	17,950			212,950
2015	205,000	11,094			216,094
2016	210,000	3,728			213,728
	$ 985,000	$ 86,788	$	$	$ 1,071,788

Notes Payable

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2012	$ 48,328	34,525	$	$	$ 82,853
2013	50,502	32,351			82,853
2014	52,775	30,078			82,853
2015	55,150	27,703			82,853
2016	57,631	25,221			82,852
2017 - 2021	329,473	84,522			413,995
2022 - 2025	173,371	15,832			189,203
	$ 767,230	$ 250,232	$	$	$ 1,017,462

Operating Leases

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2012	$ 119,106	16,549	$	$	$ 135,655
2013	118,476	17,179			135,655
2014	122,555	13,100			135,655
2015	126,775	8,880			135,655
2016	131,139	4,515			135,654
	$ 618,051	$ 60,223	$	$	$ 678,274

NOTE 5 - INTERFUND TRANSFERS

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

Interfund transfers:

Transfers In	Transfers Out	Amounts
General Fund	Watauga Parks Development Corporation Sales Tax Fund	$ 64,640
General Fund	Storm Drain Utility	34,700
General Fund	Watauga Crime Control and Prevention District Fund	22,485
General Fund	Water and Sewer Operating Fund	335,375
Watauga Parks Development Corporation Construction Fund	Watauga Parks Development Corporation Sakes Tax Fund	24,600
Capital Projects Fund	General Fund	438,000
Park Vista Fund	General Fund	260
Watauga Parks Development Corporation Debt Service Fund	Watauga Parks Development Corporation Sales Tax Fund	215,355
Bunker Hill Drainage Fund	Storm Drain Utility	80
		$ 1,135,495

Transfers are primarily used to move funds to:

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

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

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

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

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years requiring vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contribution

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

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Contribution (continued)

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

1	Annual required contribution (ARC)	$ 1,182,144.0
2	Interest on net pension obligation	-
3	Adjustment to the ARC	-
4	Annual pension cost (APC)	1,182,144
5	Contributions made	(1,182,144)
6	Increase (decrease) in net pension obligation	-
7	Net pension obligation/(asset), beginning of year	-
8	Net pension obligation/(asset), end of year	$ -

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

		December 31, 2010 - prior to restructuring	December 31, 2010 - restructured
Actuarial valuation date	December 31, 2009		
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	28.1 years; closed period	27.3 years; closed period	27.3 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Marked	10-year Smoothed Marked
Actuarial assumption			
Investment rate of return	7.50%	7.50%	7.00%
Project salary increases	Varies by age/service	Varies by age/service	Varies by age/service
Inflation	3.00%	3.00%	3.00%
Cost of living adjustments	2.10%	2.10%	2.10%
Payroll growth assumptions	3.00%	3.00%	3.00%

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that adopted by the TMRS Board at their May 2011 meeting.

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Contribution (continued)

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

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

The changes in actuarial funding method and assumptions adopted for the 2010 valuation resulted in an unfunded actuarial accrued liability ("UAAL") of $5,121,724 which represents a decrease over the prior valuation of approximately $0.8 million. The funded ratio of the city's plan increased from 73.5% to 82.0% as a result of the decreased UAAL.

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2008	$ 14,532,834	$ 20,048,714	72.5%	$ 5,515,880	$ 7,530,205	73.3%
2009	16,405,520	22,328,166	73.5%	5,922,646	7,771,047	76.2%
2010 (1)	18,522,154	24,795,049	74.7%	6,272,895	8,247,740	76.1%
2010 (2)	23,366,784	28,488,508	82.0%	5,121,724	8,247,740	62.1%

(1) Actuarial valuation performed under the original fund structure
(2) Actuarial valuation performed under the new fund structure

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation at Year End
2008	$ 735,911	100%	
2009	1,022,508	100%	
2010	1,182,144	100%	

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

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

Supplemental Death Benefits Plan

Plan Description

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

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

Funding Policy

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

Contributions

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (continued)

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

Schedule of Contribution Rates
(Retiree-only portion of the rate)

Plan Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	% of ARC Contributed
2008	0.01%	0.01%	100%
2009	0.01%	0.01%	100%
2010	0.01%	0.01%	100%

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were $18,940, $15,492 and $16,003, respectively, which equaled the required contributions each year.

NOTE 8 - RISK MANAGEMENT

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

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

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

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

NOTE 9 - LITIGATION

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

NOTE 10 - COMMITMENT OF NET ASSETS

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

NOTE 11 - OPERATING LEASE

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

2012	$	38,363
2013		23,503
	$	61,866

Lease and rental expenditures were $103,659 for the year ended September 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION IN TEXAS MUNICIPAL RETIREMENT SYSTEM
September 30, 2011

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2008	$ 14,532,834	$ 20,048,714	72.5%	$ 5,515,880	$ 7,530,205	73.3%
2009	16,405,520	22,328,166	73.5%	5,922,646	7,771,047	76.2%
2010 (1)	18,522,154	24,795,049	74.7%	6,272,895	8,247,740	76.1%
2010 (2)	23,366,784	28,488,508	82.0%	5,121,724	8,247,740	62.1%

(1) Actuarial valuation performed under the original fund structure
(2) Actuarial valuation performed under the new fund structure

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that adopted by the TMRS Board at their May 2011 meeting.

The Schedule of Funding Progress summarizes the actuarial value of the plan's asset and actuarial accrued liability as of December 31, 2010 and each of the two preceding calendar years. The data presented in the schedule were obtained from TMRS and were based upon the annual actuarial valuation for the periods represented. The City is financially responsible for its own portion of the plan. Therefore, the numbers shown above reflect only the condition of the City's plan.

The schedule is presented to provide a consistent basis for measuring the plan's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the plan's funded ration (i.e. actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement the plan's ability to pay all projected benefits as they come due. The plan is fully funded if the funded ratio is greater than or equal to 100%. During the year ended December 31, 2010, the plan's funded ratio increased to 82.0%.

The Schedule of Funding Progress also discloses the relationship between the plan's covered payroll (i.e. all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability ("UAAL"). This relationship, expressed as a ratio, is a measure of the significance of the UAAL relative to the capacity to pay all contributions required to fund the liability. During the year ended December 31, 2010, the plan's ratio of the UAAL to its covered payroll decreased to 62.1%.

For the actuarial valuation dated December 31, 2010, the TMRS Board of Trustees adopted changes in the actuarial funding method and assumptions; as such, those changes are reflected in the above numbers. For a complete description of these changes, see Note 6 Employee Retirement System in the accompanying notes to the financial statements.

CITY OF WATAGUA, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 7,381,689	$ 7,381,689	$ 8,100,620	$ 718,931
Licenses and permits	229,300	229,300	262,778	33,478
Charges for services	629,000	629,000	744,497	115,497
Fines and forfeitures	677,500	677,500	680,564	3,064
Interest income	35,800	35,800	19,022	(16,778)
Intergovernmental	370,075	370,075	370,075	
Miscellaneous	132,000	132,000	389,319	257,319
Total Revenues	9,455,364	9,455,364	10,566,875	1,111,511
Expenditures				
Current:				
Administration	168,126	168,126	164,668	3,458
Administration - City Manager	162,782	162,782	149,401	13,381
Non-departmental	1,382,413	1,592,213	1,576,590	15,623
Human resources	123,393	123,393	121,969	1,424
Finance	645,443	645,443	623,094	22,349
MIS	249,425	249,425	229,334	20,091
Library	814,309	814,309	786,043	28,266
Recreation and community services	604,694	604,694	582,319	22,375
Police	3,086,488	3,175,528	3,127,667	47,861
Fire/EMS	1,814,754	1,814,754	1,794,536	20,218
Public works	825,948	825,948	776,906	49,042
Fleet maintenance	191,962	191,962	195,812	(3,850)
Buildings	712,695	712,695	673,681	39,014
Total Expenditures	10,782,432	11,081,272	10,802,020	279,252
Excess (deficiency) of revenues over expenditures	(1,327,068)	(1,625,908)	(235,145)	1,390,763
Other Financing Sources (Uses)				
Proceeds from sale of assets	5,000	5,000	42,431	37,431
Transfers in	457,200	457,200	457,200	
Transfers out	(438,260)	(438,260)	(438,260)	
Total other financing sources and uses	23,940	23,940	61,371	37,431
Net change in fund balances	(1,303,128)	(1,601,968)	(173,774)	1,428,194
Fund balances, beginningof year	6,367,731	6,367,731	6,367,731	
Fund balances at year end	$ 5,064,603	$ 4,765,763	$ 6,193,957	$ 1,428,194

BUDGETARY CONTROLS AND PROCEDURES

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

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.

2. The proposed budget and all supporting schedules are filed with the City Secretary when submitted to 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 Manger 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 Fund is 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 departmental 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.

Expenditures exceeded appropriations for fleet management in the amount of $3,850.

COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Traffic Safety Fund – to account for civil or administrative penalties to no more than $75 and late penalties to no more than $25. Legislation passed by 80th Texas Legislature allows a local government entity to use a photographic traffic signal enforcement system. One-half the net revenue from this fund is remitted to the Texas Comptroller for deposit into a Regional Trauma Account.

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

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

CITY OF WATAGUA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Special Revenue Funds					
	WPDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund	Municipal Court Juvenile Case Manager Fund
ASSETS						
Cash and cash equivalents	$ 695,949	$ 385,461	$ 3,578	$ 17,675	$ 29,655	$ 29,434
Investments	994,625	925,511	961	27,533	47,200	39,858
Accounts receivable	347,721	343,834	148			
Total assets	$ 2,038,295	$ 1,654,806	$ 4,687	$ 45,208	$ 76,855	$ 69,292
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	53,455	38,821				
Accrued liabilities	10,553	13,667	33	31		230
Total liabilities	64,008	52,488	33	31		230
FUND BALANCES						
Restricted						
Capital acquisitions and contractual obligations						
Debt service						
Culture and recreation	1,974,287		4,654			
Public safety		1,602,318		45,177	76,855	69,062
Total Fund Balances	1,974,287	1,602,318	4,654	45,177	76,855	69,062
Total Liabilities and Fund Balances	$ 2,038,295	$ 1,654,806	$ 4,687	$ 45,208	$ 76,855	$ 69,292

				Capital Projects Funds			
Traffic Safety Fund	Park Vista Fund	Total Special Revenue Funds	WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$ 505,491	$ 120	$ 1,667,363	$ 132,589	$ 518,016	$ 2	518,018	2,317,970
		2,035,688	103,084	463,876		463,876	2,602,648
		691,703					691,703
$ 505,491	$ 120	$ 4,394,754	$ 235,673	$ 981,892	$ 2	$ 981,894	$ 5,376,648
260,436		352,712					352,712
3,618		28,132					28,132
264,054		380,844					380,844
				981,892	2	981,894	981,894
			235,673				235,673
	120	1,979,061					1,979,061
241,437		2,034,849					2,034,849
241,437	120	4,013,910	235,673	981,892	2	981,894	5,231,477
$ 505,491	$ 120	$ 4,394,754	$ 235,673	$ 981,892	$ 2	$ 981,894	$ 5,612,321

CITY OF WATAGUA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2011

	Special Revenue Funds					
	WPDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund	Municipal Court Juvenile Case Manager Fund
Revenues						
Taxes	$ 1,399,989	$ 1,350,599	$	$	$	$
Fines and forfeitures						
Interest income	4,454	1,553	21	118	207	185
Miscellaneous		24,305	12,340	13,510	18,000	22,138
Total revenues	1,404,443	1,376,457	12,361	13,628	18,207	22,323
Expenditures						
Current:						
Public safety		883,181		3,361	168	11,040
Culture and recreation	699,246		12,459			
Capital outlay		116,238				
Debt Service:						
Principal						
Interest and other charges						
Total Expenditures	699,246	999,419	12,459	3,361	168	11,040
Excess (deficiency) of revenues over expenditures	705,197	377,038	(98)	10,267	18,039	11,283
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	5,500					
Transfers in	24,600					
Transfers out	(279,995)	(22,485)				
Total other financing sources (uses)	(249,895)	(22,485)				
Net change in fund balances	455,302	354,553	(98)	10,267	18,039	11,283
Fund balances - beginning	1,518,985	1,247,765	4,752	34,910	58,816	57,779
Fund balances - ending	$ 1,974,287	$ 1,602,318	$ 4,654	$ 45,177	$ 76,855	$ 69,062

				Capital Projects Funds			
Traffic Safety Fund	Park Vista Fund	Total Special Revenue Funds	WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
$	$	$ 2,750,588	$	$	$	$	$ 2,750,588
694,794		694,794					694,794
		6,538	799	2,889		3,688	10,226
		90,293					90,293
694,794		3,542,213	799	2,889		3,688	3,545,901
453,357		1,351,107					1,351,107
		711,705					711,705
		116,238		58,405		58,405	174,643
			180,000			180,000	180,000
			35,755			35,755	35,755
453,357		2,179,050	215,755	58,405		274,160	2,453,210
241,437		1,363,163	(214,956)	(55,516)		(270,472)	1,092,691
		5,500					5,500
	260	24,860	215,355		80	215,435	240,295
		(302,480)	(24,600)			(24,600)	(327,080)
	260	(272,120)	190,755		80	190,835	(81,285)
241,437	260	1,091,043	(24,201)	(55,516)	80	(79,637)	1,011,406
	(140)	2,922,867	259,874	1,037,408	(78)	1,037,330	4,220,071
$ 241,437	$ 120	$ 4,013,910	$ 235,673	$ 981,892	$ 2	$ 1,217,567	$ 5,231,477

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WPDC SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance Positive /
	Original Budget	Final Budget	Amounts	(Negative)
Revenues				
Taxes	$ 1,292,800	$ 1,292,800	$ 1,399,989	$ 107,189
Investment income	3,500	3,500	4,454	954
Miscellaneous				
Total Revenues	1,296,300	1,296,300	1,404,443	108,143
Expenditures				
Culture and recreation	785,396	785,396	699,246	86,150
Total Expenditures	785,396	785,396	699,246	86,150
Other financing sources (uses)				
Proceeds from sale of assets			5,500	
Transfers in	24,600	24,600	24,600	
Transfers out	(279,995)	(279,995)	(279,995)	
Total other financing sources (uses)	(255,395)	(255,395)	(249,895)	5,500
Net change in fund balances	255,509	255,509	455,302	199,793
Fund balances, beginning of year	1,518,985	1,518,985	1,518,985	
Fund balances, end of year	$ 1,774,494	$ 1,774,494	$ 1,974,287	$ 199,793

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WATAUGA CRIME CONTROL AND PREVENTION SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance Positive /
	Original Budget	Final Budget	Amounts	(Negative)
Revenues				
Taxes	$ 1,090,000	$ 1,090,000	$ 1,350,599	$ 260,599
Interest income	1,500	1,500	1,553	53
Miscellaneous	34,247	34,247	24,305	(9,942)
Total revenues	1,125,747	1,125,747	1,376,457	250,710
Expenditures				
Public safety	1,086,833	1,082,833	883,181	199,652
Capital Outlay	120,500	116,238	116,238	
Total expenditures	1,207,333	1,199,071	999,419	199,652
Other financing sources (uses)				
Transfers out	(22,485)	(22,485)	(22,485)	
Net change in fund balances	(104,071)	(95,809)	354,553	450,362
Fund balances, beginning of year	1,247,765	1,247,765	1,247,765	
Fund balances, end of year	$ 1,143,694	$ 1,151,956	$ 1,602,318	$ 450,362

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LIBRARY DONATION SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance
	Original Budget	Final Budget	Amounts	Positive / (Negative)
Revenues				
Interest income	$ 40	$ 40	$ 21	$ (19)
Miscellaneous	13,000	13,000	12,340	(660)
Total Revenues	13,040	13,040	12,361	(679)
Expenditures				
Culture and recreation	13,130	13,130	12,459	671
Total expenditures	13,130	13,130	12,459	671
Net change in fund balances	(90)	(90)	(98)	(8)
Fund balances, beginning of year	4,752	4,752	4,752	
Fund balances, end of year	$ 4,662	$ 4,662	$ 4,654	$ (8)

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance Positive /
	Original Budget	Final Budget	Amounts	(Negative)
Revenues				
Investment earnings	$	$	$ 118	118
Other	13,000	13,000	13,510	510
Total Revenues	13,000	13,000	13,628	628
Expenditures				
Public safety	9,700	9,700	3,361	6,339
Total Expenditures	9,700	9,700	3,361	6,339
Net change in fund balances	3,300	3,300	10,267	6,967
Fund balances, beginning of year	34,910	34,910	34,910	
Fund balances, end of year	$ 38,210	$ 38,210	$ 45,177	$ 6,967

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance
	Original Budget	Final Budget	Amounts	Positive / (Negative)
Revenues				
Interest income	$ 150	$ 150	$ 207	$ 57
Miscellaneous	17,000	17,000	18,000	1,000
Total revenues	17,150	17,150	18,207	1,057
Expenditures				
Public safety	26,218	26,218	168	(26,050)
Total expenditures	26,218	26,218	168	(26,050)
Net change in fund balances	(9,068)	(9,068)	18,039	27,107
Fund balances, beginning of year	58,816	58,816	58,816	
Fund balances, end of year	$ 49,748	$ 49,748	$ 76,855	$ 27,107

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT JUVENILE CASE MANAGER SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance Positive /
	Original Budget	Final Budget	Amounts	(Negative)
Revenues				
Investment earnings	$ 100	$ 100	$ 185	$ 85
Other	17,000	17,000	22,138	5,138
Total Revenues	17,100	17,100	22,323	5,223
Expenditures				
Public safety	10,336	10,336	11,040	(704)
Total expenditures	10,336	10,336	11,040	(704)
Net change in fund balances	6,764	6,764	11,283	4,519
Fund balances, beginning of year	57,779	57,779	57,779	
Fund balances at year end	$ 64,543	$ 64,543	$ 69,062	$ 4,519

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PARK VISTA SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance
	Original Budget	Final Budget	Amounts	Positive / (Negative)
Revenues				
Investment earnings	$	$	$	$
Other				
Total revenues				
Other financing sources (uses)				
Transfers in		260	260	
Total other financing sources (uses)		260	260	
Net change in fund balances		260	260	
Fund balances, beginning of year	(140)	(140)	(140)	
Fund balances at year end	$ (140)	$ (140)	$ 120	$

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance Positive /
	Original Budget	Final Budget	Amounts	(Negative)
Revenues				
Fines and forfeits	$	$	$ 694,794	$ 694,794
Total Revenues			694,794	694,794
Expenditures				
Public safety		505,000	453,357	51,643
Total expenditures		505,000	453,357	51,643
Net change in fund balances		(505,000)	241,437	746,437
Fund balances, beginning of year				
Fund balances at year end	$	$ (505,000)	$ 241,437	$ 746,437

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL OBLIGATION DEBT SERVICE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance Positive /
	Original Budget	Final Budget	Amounts	(Negative)
Revenues				
Taxes				
Property taxes	$ 1,588,000	$ 1,588,000	1,660,459	$ 72,459
Penalties and interes	14,000	14,000	11,628	(2,372)
Interest income	2,000	2,000	1,074	(926)
Total revenues	1,604,000	1,604,000	1,673,161	69,161
Expenditures				
Debt service				
Principal	1,360,000	1,360,000	1,360,000	
Interest	422,317	422,317	436,185	(13,868)
Total expenditures	1,782,317	1,782,317	1,796,185	(13,868)
Net changes in fund balances	(178,317)	(178,317)	(123,024)	83,029
Other financing sources (uses)				
Premium on general obligation debt			1,020,000	1,020,000
Payments to refunding escrow agent		(1,002,832)	(1,002,832)	
Total other financing sources (uses)		(1,002,832)	17,168	1,020,000
Net change in fund balances	(178,317)	(1,181,149)	(105,856)	1,075,293
Fund balances, beginning of year	315,124	315,124	315,124	
Fund balances at year end	$ 136,807	$ (866,025)	$ 209,268	$ 1,075,293

CITY OF WATAGUA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WPDC REVENUE BOND DEBT SERVICE FUND
Year Ended September 30, 2011

	Budget Amounts		Actual	Variance
	Original Budget	Final Budget	Amounts	Positive / (Negative)
Revenues				
Interest income	$ 1,150	$ 1,150	$ 799	$ (351)
Total revenues	1,150	1,150	799	(351)
Expenditures				
Debt service				
Principal	180,000	180,000	180,000	
Interest	36,355	36,355	35,755	600
Total expenditures	216,355	216,355	215,755	600
Revenues over (under) expenditures	(215,205)	(215,205)	(214,956)	249
Other financing sources (uses)				
Transfers in	215,355	215,355	(24,600)	239,955
Transfers out	(24,600)	(24,600)	215,355	(239,955)
Total other financing sources (uses)	190,755	190,755	190,755	
Net change in fund balances	(24,450)	(24,450)	(24,201)	249
Fund balances, beginning of year	259,874	259,874	259,874	
Fund balances at year end	$ 235,424	$ 235,424	$ 235,673	$ 249

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.

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

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

Table 1

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

	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	$ 23,441,917	$ 26,538,475	$ 27,094,685	$ 28,537,817	$ 31,150,229	$ 30,732,214	$ 32,581,629	$ 32,223,143
Restricted	372,766	356,918	60,039	367,219	482,624	580,384	489,133	714,041
Unrestricted	6,869,961	5,547,137	6,958,326	7,951,823	7,027,793	8,390,973	8,145,817	9,300,712
Total governmental activities net assets	$ 30,684,644	$ 32,442,530	$ 34,113,050	$ 36,856,859	$ 38,660,646	$ 39,703,571	$ 41,216,579	$ 42,237,896
Business-type activities								
Invested in capital assets, net of related debt	$ 13,701,057	$ 13,983,521	$ 14,432,918	$ 15,225,107	$ 15,606,285	$ 16,389,484	$ 17,035,479	$ 13,630,412
Restricted	328,718	179,219	32,120	204,791	487,762	32,326	36,788	38,565
Unrestricted	3,579,130	4,383,995	5,239,749	5,018,055	4,702,911	5,072,765	4,383,221	8,059,411
Total business-type activities net assets	$ 17,608,905	$ 18,546,735	$ 19,704,787	$ 20,447,953	$ 20,796,958	$ 21,494,575	$ 21,455,488	$ 21,728,388
Primary government								
Invested in capital assets, net of related debt	$ 37,142,974	$ 40,521,996	$ 41,527,603	$ 43,762,924	$ 46,756,514	$ 47,121,698	$ 49,617,108	$ 45,853,555
Restricted	701,484	536,137	92,159	572,010	970,386	612,710	525,921	752,606
Unrestricted	10,449,091	9,931,132	12,198,075	12,969,878	11,730,704	13,463,738	12,529,038	17,360,123
Total primary government net assets	$ 48,293,549	$ 50,989,265	$ 53,817,837	$ 57,304,812	$ 59,457,604	$ 61,198,146	$ 62,672,067	$ 63,966,284

Source: Comprehensive Annual Reports

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

Table 2

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

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
General government	$ 2,726,264	$ 3,758,792	$ 3,881,053	$ 4,564,852	$ 4,764,459	$ 4,821,004	$ 5,051,415	$ 5,631,743
Department of Public Safety	3,979,933	3,463,332	3,528,716	4,203,329	4,168,608	4,209,793	4,431,774	4,754,148
Public Works	2,143,425	2,029,473	1,742,205	1,217,456	1,945,380	1,993,867	2,136,811	2,008,511
Capital Outlay		222,128	479,000					
Parks and recreation	1,974,721	1,818,489	2,111,428	2,111,068	2,224,257	2,108,473	1,648,292	2,372,064
Interest on long-term debt	714,448	492,404	690,563	675,444	661,324	679,483	560,285	471,940
Total governmental activities expenses	11,538,791	11,784,618	12,432,965	12,772,149	13,764,028	13,812,620	13,828,577	15,238,406
Business-type activities:								
Water and Sewer	5,496,410	5,700,693	5,932,341	5,478,534	6,127,753	5,886,812	6,260,844	6,199,136
Drainage Utility	941,210	898,037	848,280	923,988	877,922	901,079	843,690	914,987
Total business-type activities expenses	6,437,620	6,598,730	6,780,621	6,402,522	7,005,675	6,787,891	7,104,534	7,114,123
Total primary government expenses	$ 17,976,411	$ 18,383,348	$ 19,213,586	$ 19,174,671	$ 20,769,703	$ 20,600,511	$ 20,933,111	$ 22,352,529
Program Revenues								
Governmental activities:								
Fees, Fines, and Charges for services:								
General Government	$ 15,204	$ 1,326	$ 11,176	$ 84,299	$ 87,993	$ 102,044	$ 212,514	$ 320,960
Public Safety	741,367	742,999	771,245	1,321,651	1,188,612	1,323,097	1,330,535	1,772,981
Public Works	380,935	153,211	344,133	436,199	438,719	434,925	214,136	244,236
Parks and recreation	140,680	372,322	234,083	247,893	214,755	220,824	390,920	442,579
Other activities								
Operating grants and contributions	87,416	97,160	110,066	105,464	68,346	64,747	62,761	20,646
Capital grants and contributions							161,482	168,941
Total governmental activities program revenues	1,365,602	1,367,018	1,470,703	2,195,506	1,998,425	2,145,637	2,372,348	2,970,343
Business-type activities:								
Charges for services:								
Water and Sewer	7,244,546	6,921,672	7,159,786	6,499,187	6,827,535	6,710,552	6,683,362	7,040,653
Drainage Utility		693,076	693,043	693,611	696,073	698,711	700,295	702,665
Operating grants and contributions								
Capital grants and contributions								
Total business-type activities program revenues	7,244,546	7,614,748	7,852,829	7,192,798	7,523,608	7,409,263	7,383,657	7,743,318
Total primary government program revenues	$ 8,610,148	$ 8,981,766	$ 9,323,532	$ 9,388,304	$ 9,522,033	$ 9,554,900	$ 9,756,005	$ 10,713,661

Table 2
(continued)

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

	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Governmental activities	$ (10,173,189)	$ (10,417,600)	$ (10,962,262)	$ (10,576,643)	$ (11,765,603)	$ (11,666,983)	$ (11,456,229)	$ (12,268,063)
Business-type activities	806,926	1,016,018	1,072,208	790,276	517,933	621,372	279,123	629,195
Total primary government net expense	$ (9,366,263)	$ (9,401,582)	$ (9,890,054)	$ (9,786,367)	$ (11,247,670)	$ (11,045,611)	$ (11,177,106)	$ (11,638,868)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	$ 5,246,688	$ 5,465,585	$ 5,712,275	$ 5,747,974	$ 6,070,750	$ 5,999,752	$ 5,947,914	$ 5,627,282
Franchise taxes	945,407	941,827	964,868	940,273	954,692	1,033,043	1,039,844	1,216,628
Sales taxes	4,574,815	4,447,182	4,756,612	5,017,072	5,209,951	4,951,896	5,144,963	5,626,261
Penalties and Interest	45,001	45,605	49,306	46,461	57,424	44,683	44,805	40,246
Unrestricted grants and contributions								
Payments in lieu of taxes	235,194	350,780	353,623	357,899	370,387	371,890	360,928	370,075
Investment earnings	128,177	307,461	623,908	817,791	568,060	280,729	69,855	38,733
Gain on Sale of Assets	10,110	336,857				(6,747)		
Miscellaneous	176,679	87,549	23,078					
Transfers	356,710	192,640	149,112	357,899	370,388	34,662	360,928	370,155
Total governmental activities	11,718,781	12,175,486	12,632,782	13,285,369	13,601,652	12,709,908	12,969,237	13,289,380
Business-type activities:								
Investment earnings	52,031	114,452	234,956	310,789	201,460	110,910	24,115	13,860
Transfers	(356,710)	(192,640)	(149,112)	(357,899)	(370,388)	(34,662)	(360,928)	(370,155)
Total business-type activities	(304,679)	(78,188)	85,844	(47,110)	(168,928)	76,248	(336,813)	(356,295)
Total primary government	$ 11,414,102	$ 12,097,298	$ 12,718,626	$ 13,238,259	$ 13,432,724	$ 12,786,156	$ 12,632,424	$ 12,933,085
Change in Net Assets								
Governmental activities	$ 1,545,592	$ 1,757,886	$ 1,670,520	$ 2,708,726	$ 1,836,049	$ 1,042,925	$ 1,513,008	$ 1,021,317
Business-type activities	502,247	937,830	1,158,052	743,166	349,005	697,620	(57,690)	272,900
Total primary government	$ 2,047,839	$ 2,695,716	$ 2,828,572	$ 3,451,892	$ 2,185,054	$ 1,740,545	$ 1,455,318	$ 1,294,217

Source: Comprehensive Annual Financial Reports

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

Table 3

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011**
General Fund										
Non-spendable										
Inventories	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,280
Assigned										
Other purposes	-	-	-	-	-	-	-	-	-	37,698
Unrestricted	-	-	-	-	-	-	-	-	-	6,136,979
Total general fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,193,957
Restricted										
Reserved*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,870	$ -
Unreserved	4,213,729	4,830,982	5,414,236	4,004,242	5,258,923	6,025,394	6,457,507	6,690,658	6,339,861	-
Total general fund	$ 4,213,729	$ 4,830,982	$ 5,414,236	$ 4,004,242	$ 5,258,923	$ 6,025,394	$ 6,457,507	$ 6,690,658	$ 6,367,731	$ -
All Other Governmental Funds										
Non-spendable										
Prepaid items										$ 789,450
Restricted										
Capital acquisitions and contractual obligations										5,179,695
Debt service										444,941
Culture and recreation										1,979,061
Public Safety										2,034,849
Total all other governmental funds										$ 10,427,996
Reserved	$ 829,891	$ 743,536	$ 487,309	$ 341,661	$ 323,753	$ 453,327	$ 570,496	$ 684,739	$ 574,998	$ -
Unreserved, reported in:										
Special revenue funds	1,255,348	1,846,155	1,745,995	1,827,676	1,826,624	2,210,412	2,074,940	2,627,994	2,922,789	-
Capital projects funds	3,233,324	3,292,013	3,326,844	8,319,883	5,522,062	8,625,216	6,280,220	3,862,015	4,006,543	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 5,318,563	$ 5,881,704	$ 5,560,148	$ 10,489,220	$ 7,672,439	$ 11,288,955	$ 8,925,656	$ 7,174,748	$ 7,504,330	$ -

Note: *Includes encumbrances and prepaid items
** Beginning 2011, fund balances are reported using GASB 54 classifications
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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 9,342,521	$ 9,622,287	$ 10,805,238	$ 10,889,663	$ 11,515,408	$ 11,749,979	$ 12,143,072	$ 12,014,774	$ 12,189,384	$ 12,523,295
Licenses, fees and permits	524,292	380,365	259,682	244,599	210,283	264,952	268,657	257,159	218,013	262,778
Fines and penalties	387,253	409,589	459,645	524,105	505,965	542,368	609945	646,535	699,238	680,564
Charges for services	315,140	416,355	482,155	440,154	463,487	546,759	709,477	701,608	884,038	1,439,291
Special assessments	304,361	63,852	2,797	-	-	-		-	-	-
Intergovernmental	453,905	410,982	289,545	414,394	399,137	357,899	370,387	371,890	360,928	370,075
Investment earnings	223,311	139,792	128,177	307,461	623,911	817,789	568,060	280,729	69,855	37,640
Other revenues	328,713	207,651	293,761	259,291	250,326	360,742	278,511	292,247	544,859	648,553
Total revenues	11,879,496	11,650,873	12,721,000	13,079,667	13,968,517	14,640,488	14,948,109	14,564,942	14,966,315	15,962,196
Expenditures										
General government	2,220,762	2,365,638	2,844,438	3,837,616	3,775,994	4,237,148	4,509,573	4,606,396	4,822,147	5,529,085
Public Safety	3,425,798	3,650,231	3,952,227	3,311,905	3,370,740	3,660,257	3,828,676	3,949,284	4,096,391	4,478,774
Public Works	740,902	704,659	621,962	684,929	661,803	642,947	721,456	744,743	741,395	776,906
Parks and recreation	1,417,292	1,769,508	1,856,714	1,731,225	1,978,147	1,894,061	2,068,439	1,977,466	1,986,185	2,080,067

Table 4
(continued)

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Capital outlay	$ 3,382,123	$ 2,610,235	$ 1,424,996	$ 3,475,214	$ 2,955,483	$ 2,352,243	$ 4,296,632	$ 2,753,788	$ 1,594,427	$ 3,935,880
Debt service										
Interest	677,390	643,828	586,215	589,390	627,935	568,442	608,920	608,335	550,788	591,733
Principal	1,265,000	1,360,000	1,485,000	1,500,000	1,475,000	1,530,000	1,385,000	1,477,349	1,529,255	1,540,000
Total expenditures	13,129,267	13,104,099	12,771,552	15,130,279	14,845,102	14,885,098	17,418,696	16,117,361	15,320,588	18,932,445
Excess of revenues over (under) expenditures	(1,249,771)	(1,453,226)	(50,552)	(2,050,612)	(876,585)	(244,610)	(2,470,587)	(1,552,419)	(354,273)	(2,970,249)
Other Financing Sources (Uses)										
Proceeds from borrowing		2,300,000	3,115,000	5,000,000		3,584,999				5,284,887
Proceeds from refunding						2,670,000				1,020,000
Payments to escrow agent			(3,049,893)			(2,774,214)				(1,002,832)
Bond Issuance Costs			(109,567)	(54,808)		(45,718)				
Sale of Asset	213,570			431,858						47,931
Transfers in	977,152	1,223,250	1,492,759	3,662,962	1,481,441	1,823,540	2,449,405	664,172	2,375,290	1,135,495
Transfers out	(812,025)	(889,630)	(1,136,049)	(3,470,322)	(1,332,329)	(1,465,641)	(2,079,017)	(629,510)	(2,014,362)	(765,340)
Total other financing sources (uses)	378,697	2,633,620	312,250	5,569,690	149,112	3,792,966	370,388	34,662	360,928	5,720,141
Net change in fund balances	$ (871,074)	$ 1,180,394	$ 261,698	$ 3,519,078	$ (727,473)	$ 3,548,356	$ (2,100,199)	$ (1,517,757)	$ 6,655	$ 2,749,892
Debt service as a percentage of noncapital expenditures	19.9%	19.1%	18.3%	17.9%	17.7%	16.7%	15.2%	15.6%	15.2%	14.2%

Source: Comprehensive Annual Reports

Table 5

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

Fiscal Year	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Estimated Market Value: Total Market Value	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2002	$ 733,792,186	$ 57,201,136	$ 790,993,322	$ 60,939,317	730,054,005	0.657020
2003	833,499,369	61,652,840	895,152,209	64,195,614	830,956,595	0.598930
2004	915,593,648	55,868,895	971,462,543	75,168,686	896,293,857	0.580763
2005	954,897,286	59,403,846	1,014,301,132	74,176,118	940,125,014	0.580763
2006	1,000,642,257	60,878,118	1,061,520,375	75,871,741	985,648,634	0.580763
2007	1,022,670,335	61,743,271	1,084,413,606	84,469,429	999,944,177	0.580763
2008	1,040,261,804	62,689,353	1,102,951,157	86,640,804	1,016,310,353	0.580763
2009	1,049,378,376	62,631,471	1,112,009,847	84,725,733	1,027,284,114	0.580763
2010	1,039,914,283	59,970,228	1,099,884,511	92,105,295	1,007,779,216	0.580763
2011	1,009,121,712	58,195,469	1,067,317,181	95,532,598	971,784,583	0.580763

Source: Tarrant Appraisal District (www.tad.org)

[a] 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)

	City Direct Rates			Overlapping Rates [a]						
Fiscal Year	M&O Rate	General Obligation Debt Service	Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County	Tarrant County Hospital	Tarrant County College	Combined Rates KISD	Combined Rates BISD
2002	0.423987	0.213034	0.637021	1.528900	1.569800	0.274785	0.234070	0.106410	2.781186	2.822086
2003	0.412168	0.186757	0.598925	1.651900	1.617000	0.272500	0.232400	0.139380	2.895105	2.860205
2004	0.406417	0.174346	0.580763	1.676200	1.617000	0.272500	0.235397	0.139380	2.904240	2.845040
2005	0.408797	0.171966	0.580763	1.697500	1.617000	0.272500	0.235397	0.139380	2.925540	2.845040
2006	0.408797	0.171966	0.580763	1.715800	1.617000	0.272500	0.235397	0.139380	2.943840	2.845040
2007	0.401465	0.179298	0.580763	1.608000	1.565000	0.271500	0.235397	0.139380	2.835040	2.792040
2008	0.400644	0.180119	0.580763	1.357400	1.405000	0.266500	0.230397	0.139380	2.574440	2.622040
2009	0.399918	0.180845	0.580763	1.416900	1.410000	0.264000	0.227897	0.137960	2.627520	2.620620
2010	0.419540	0.161223	0.580763	1.486300	1.405000	0.264000	0.278970	0.137670	2.747703	2.666403
2011	0.409617	0.171146	0.580763	1.530600	1.425000	0.264000	0.227897	0.137640	2.740900	2.635300

Source: Tarrant County Appraisal District - Tax Rates

Note: Rates for debt service are set based on each year's requirements.
[a] Overlapping rates are those of local and county governments that apply to property owners within the City of Watauga.
City of Watauga

Table 7

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

	2011				2002		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value** a)	**Taxpayer**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value** b)
Inland Western Watauga Lp	$ 24,500,000	1	2.52%	Southwestern Bell/Sbc	$15,906,613	1	1.91%
Watauga Towne Crossing LLC	23,215,560	2	2.39%	Watauga Towne Crossing	15,820,467	2	1.90%
Dayton Hudson Corp.	12,001,500	3	1.23%	Albertson's Inc.	14,742,635	3	1.77%
Sci Watauga Town Ctr Fund Etal	10,667,590	4	1.10%	Park Vista Townhomes Etal	11,500,000	4	1.38%
Park Vista Townhomes Etal	8,237,410	5	0.85%	Dayton Hudson Corp	9,680,978	5	1.17%
Southwestern Bell	7,353,510	6	0.76%	Weingarten Realty Investors	8,036,823	6	0.97%
Oncor Electric Delivery Co Llc	6,987,415	7	0.72%	Oncor Electric Delivery Co	7,584,602	7	0.91%
Watauga All Storage Ltd	4,416,811	8	0.45%	Marketplace Partners Ltd	5,042,609	8	0.61%
Target Stores	4,229,820	9	0.44%	Target Stores	4,179,543	9	0.50%
Watauga Assoc	3,975,750	10	0.41%	Ferguson & Thomasson Jv	2,915,668	10	0.35%
Total	$ 105,585,366		10.87%		$ 95,409,938		11.48%

Source: Tarrant Central Appraisal District
TAD.org ->reports->year->top taxpayers

NOTE:
a) Total taxable value including real and personal property for tax year 2010 (FY 2010-11) is $ 971,784,583
b) Total taxable value including real and personal property for tax year 2002 (FY 2002-2003) is $830,956,595

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
2001	4,243,443	3,179	4,246,622	4,186,286	98.58%	53,836	4,240,122	99.85%
2002	4,703,057	2,623	4,705,680	4,640,662	98.62%	53,938	4,694,600	99.76%
2003	5,070,410	(16,136)	5,054,274	5,009,728	99.12%	37,386	5,047,114	99.86%
2004	5,265,280	(7,570)	5,257,710	5,188,566	98.68%	60,988	5,249,554	99.84%
2005	5,475,746	(30,477)	5,445,269	5,389,470	98.98%	48,720	5,438,190	99.87%
2006	5,743,401	(33,107)	5,710,294	5,678,457	99.44%	23,387	5,701,845	99.28%
2007	5,792,266	(11,019)	5,781,247	5,710,143	98.77%	60,714	5,770,857	99.63%
2008	5,909,897	(26,768)	5,883,129	5,846,868	99.38%	24,327	5,871,195	99.35%
2009	6,022,386	(17,925)	6,004,461	5,951,703	99.12%	37,860	5,989,564	99.75%
2010	5,974,330	(2,486)	5,971,844	5,914,614	99.04%	32,456	5,914,614	99.04%
2011	5,644,747		5,644,747	5,590,780	99.04%	n/a	5,590,780	99.04%

Sources: Tarrant County Tax Office and Tarrant Appaisal District

Table 9

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

Fiscal Year	*No of Customers	**Gallons Billed	***Water Revenue
2002	8,011	713,789,611	$ 3,828,171
2003	8,044	906,318,604	3,875,295
2004	8,047	812,142,846	3,557,174
2005	8,055	823,771,031	3,706,212
2006	8,202	1,118,858,558	4,452,191
2007	8,133	754,349,657	3,478,711
2008	8,195	806,124,858	3,812,630
2009	8,196	782,558,167	3,809,973
2010	8,162	759,236,412	3,633,149
2011	8,199	859,158,707	4,198,305

*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
As of September 30, 2011
(Unaudited)

Customer Name	Gallons Consumed (000)	Total	Dollars Billed	Total
Western Rim Properties	20,229	2.35%	$ 95,120	2.27%
Daybreak Venture	7,372	0.86%	34,321	0.82%
Kwik Kar Wash	4,214	0.49%	19,232	0.46%
Harvest Baptist Church	3,195	0.37%	14,956	0.36%
TPCMW, INC.	2,838	0.33%	13,299	0.32%
Watauga 377, LLC	2,519	0.29%	11,712	0.28%
Milan Jariwala	2,264	0.26%	10,636	0.25%
Owens Stringer, Inc.	2,005	0.23%	9,360	0.22%
JAGPAL Enterprises, LLC	1,891	0.22%	9,466	0.23%
BISD 045-02	170	0.02%	8,042	0.19%
Top Ten Total	46,697	5.44%	$ 226,145	5.39%
City Total	859,159		$ 4,198,305	

Table 11

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

	Governmental Activities					Business-Type Activities						
Fiscal Year	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	Total Primary Government	Percentage of Personal Income [b]	Per Capita [b]
2002	$10,590,000	$900,000	$2,200,000	$462,790	$ -	$3,705,000	$ -	$11,250,000	$ -	$29,107,790	5.83%	1,266
2003	9,340,000	2,985,000	2,090,000	393,456	-	3,510,000	-	10,635,000	-	28,953,456	5.64%	1,219
2004	8,290,000	2,465,000	2,155,000	138,313	-	3,305,000	-	9,990,000	-	26,343,313	4.87%	1,105
2005	7,165,000	7,010,000	2,005,000	-	-	3,095,000	7,025,000	2,335,000	-	28,635,000	5.03%	1,196
2006	5,995,000	6,630,000	1,845,000	-	-	2,875,000	6,985,000	1,615,000	-	25,945,000	4.46%	1,077
2007	5,340,000	9,505,000	1,680,000	-	-	2,645,000	6,940,000	860,000	-	26,970,000	4.78%	1,117
2008	4,860,000	8,765,000	1,515,000	-	900,080	-	8,730,000	660,000	-	25,430,080	4.30%	1,049
2009	4,365,000	7,260,000	1,340,000	-	857,731	-	7,790,000	450,000	-	22,062,731	3.71%	906
2010	3,965,000	7,090,000	1,165,000	-	813,476	-	6,815,000	230,000	-	20,078,476	3.39%	825
2011	3,560,000	10,740,000	985,000	618,051	767,230	-	5,800,000	2,780,000		25,250,281	4.27%	1,036

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

[b] See Table 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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[a] of Property	Per Capita [b]
	General Obligation Bonds	Certificates of Obligation	Total		
2000	$ 12,680,000	$	$ 12,680,000	2.25%	$ 576.36
2001	11,750,000		11,750,000	1.84%	534.09
2002	10,590,000	900,000	11,490,000	1.57%	499.57
2003	9,340,000	2,985,000	12,325,000	1.48%	518.95
2004	8,290,000	2,465,000	10,755,000	1.20%	450.94
2005	7,165,000	7,010,000	14,175,000	1.51%	591.86
2006	5,995,000	6,630,000	12,625,000	1.28%	523.86
2007	5,340,000	9,505,000	14,845,000	1.48%	614.70
2008	4,860,000	8,765,000	13,625,000	1.34%	561.86
2009	4,365,000	8,000,000	12,365,000	1.20%	507.80
2010	3,965,000	7,090,000	11,055,000	1.10%	455.88
2011	3,560,000	10,740,000	14,300,000	1.47%	608.59

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
[a] See Table 5 for property value data.
[b] Population data can be found in Table 15

Table 13

CITY OF WATAUGA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2011
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Keller Independent School District	712,856,767	3.49%	$ 24,878,701
Birdville Independent School District	227,199,554	7.59%	$ 17,244,446
Tarrant County	333,561,836	0.78%	$ 2,601,782
Tarrant County College	30,588,040	0.89%	$ 272,234
Tarrant County Hospital County	58,565,000	0.89%	$ 521,229
Subtotal, overlapping debt			45,518,392
City direct debt			15,285,000
Total direct and overlapping debt			$ 60,803,392

Sources: Debt outstanding data provided by each governmental unit.
[a] 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)

	Water and Sewer Revenue Bonds						PDC Sales Tax Revenue Bonds[c]					
		Less:	Net					Less	Net			
Fiscal	Total	Operating	Available	Debt Service			Total	Operating	Available	Debt Service		
Year	Revenues[a]	Expenses[b]	Revenue	Principal	Interest	Coverage	Revenues[a]	Expenses	Revenue	Principal	Interest	Coverage
2002	6,590,771	4,259,215	2,331,556	180,000	182,875	6.43	1,081,430	499,921	581,509	105,000	131,661	2.46
2003	6,781,216	4,625,017	2,156,199	190,000	174,087	5.92	940,050	688,573	251,477	110,000	125,886	1.07
2004	6,599,272	4,519,757	2,079,515	200,000	164,825	5.70	1,170,443	704,123	466,320	115,000	92,978	2.24
2005	7,026,001	4,822,040	2,203,961	210,000	145,340	6.20	1,158,139	603,599	554,540	150,000	65,597	2.57
2006	7,371,716	5,160,165	2,211,551	220,000	136,630	6.20	1,268,980	770,821	498,159	160,000	56,536	2.30
2007	6,582,387	4,867,495	1,714,892	230,000	127,290	4.80	1,298,971	601,253	697,718	165,000	52,386	3.21
2008 d	7,006,217	5,264,881	1,741,336	2,645,000	61,230	0.64	1,351,870	716,715	635,155	165,000	48,880	2.97
2009 d				-	-		1,265,352	627,100	638,252	175,000	44,946	2.90
2010 d				-	-		1,314,130	632,039	682,091	175,000	40,461	3.17
2011 d				-	-		1,409,944	763,885	646,059	180,000	35,355	3.00

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

[a] Includes operating and non-operating revenues
[b] Excludes depreciation, amortization, interest expense and expenditures identified as capital
[c] 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.
[d] In April, 2008, the City issued $2,430,000 in GO Refunding Bonds to refund $2,400,000 of outstanding Series 1996 Waterworks and Sewer System

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)
2002	23,000	499,169	$ 21,703	n/a	2,599	3.4%
2003	23,750	513,380	21,616	n/a	2,582	3.7%
2004	23,850	540,942	22,681	n/a	2,615	3.0%
2005	23,950	569,220	23,767	n/a	2,979	2.7%
2006	24,100	581,340	24,122	32.4	3,767	3.0%
2007	24,150	563,903	23,350	31.0	4,593	4.1%
2008	24,250	591,870	24,407	32.0	5,396	3.3%
2009	24,350	594,310	24,407	32.0	4,428	4.9%
2010	24,250	591,870	24,407	32.0	3,735	8.1%
2011	23,497	530,868	22,593	32.5*	4,864	8.5%

Sources: (1)Year 2000 Population is official U.S. Census Bureau count. Other population estimates from U.S. Census Bureau. (2) Per Capita income obtained from Sourcebook of Zip code Demographics and Easy Analytic Software Inc (EASI) and Applied Geographic Solutions (AGS) for years 2002-2010. 2011 Per Capital Income from U.S. Census Bureau American Fact Finder. (3) Per Capita personal income calculated by dividing PIT(2) by Pop(1). 2008 Estimate from www.city-data.com. 2010 Estimate based on 2008 data. 2011 From U.S. Census Bureau American Fact Finder. (4) Median Age from 2000 Census, 2006 estimated by Site on Texas Demographics, 2011 Median Age from

Table 16

CITY OF WATAUGA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2011			2002		
Employer	**Employees (1)**	**Rank**	**Percentage of Total City Employment(2)**	**Employees (1)**	**Rank**	**Percentage of Total City Employment (3)**
Target	266	1	4.69%	n/a	n/a	n/a
Birdville ISD	240	2	4.23%	167	3	5.25%
City of Watauga	193	3	3.40%	106	4	3.33%
Harvest Baptist	120	4	2.11%	185	1	5.82%
North Pointe Health & Rehab	110	5	1.94%	n/a	n/a	n/a
Albertson's	93	6	1.64%	180	2	5.66%
Keller ISD	89	7	1.57%	43	5	1.35%
Fresco's	80	8	1.41%	n/a	n/a	n/a
Cotton Patch Café	50	9	0.88%	n/a	n/a	n/a
Chili's Grill & Bar	48	10	0.85%	n/a	n/a	n/a
Total	1,289		22.71%	681		21.42%

Source:

(1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification annually

(2) For 2011, used total 2007 City Employment estimated at 5,676 obtained from SitesOnTexas, Demographic data for 2006 by Experien/Applied Geographic Solutions

(3) For 2002, used Total 1999 City Employment of 3,179 obtained from Zip Code Business Patterns (http://censtats.census.gov/cgi-bin/zbpnaic/zbpsect.pl)

Table 17

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government and Administration	31.00	32.50	30.25	30.58	30.75	28.75	29.75	30	30	30.5
Public Safety										
Police Division	50.00	52.97	56.00	50.25	50.25	54.25	58.75	58.75	58.75	59.25
Fire/EMS Division	6.00	7.03	8.00	15.00	16.50	21.50	22.00	22.00	22.00	22.00
Culture and Recreational	10.25	9.25	11.25	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Library	10.75	11.25	11.25	12.25	12.75	12.75	13.25	13.25	13.25	13.25
Water/Sewer/Drainage	30.50	32.50	32.75	33.50	33.75	33.75	33.75	33.75	33.75	34.25
Fleet Services	-	2.00	2.00	2.00	3.00	3.00	4.00	4.00	4.00	4.00
Building	3.00	3.00	4.00	5.00	6.00	6.00	7.00	8.00	8.00	8.00
Parks Development	7.75	11.75	11.75	10.50	10.50	10.50	11.50	11.50	11.50	11.50
Total	149.25	162.25	167.25	169.58	174.00	181.00	190.50	191.75	191.75	193.25

Source: City Budget Office.

Table 18

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Calls for Service	4,439	4,848	5,984	22,422	23,215	23,591	11,726	13,532	16,804	13,560
Municipal Citations Issued	N/A	N/A	N/A	8,294	9,656	10,468	15,115	8,792	11,963	17,122
Fire/EMS										
EMS Calls	900	949	1,000	1,018	1,110	1,202	1,375	966	1,082	836
EMS Average Response Time (min)	7.00	7.00	7.00	3.54	3.76	3.97	4.00	3.31	3.50	3.50
Ambulance Transports	675	702	740	710	753	806	1,030	743	870	698
Fire Calls	250	323	322	401	416	431	430	652	690	557
Fire Average Response Time (min)	3.25	3.08	3.16	3.75	4.25	4.10	4.00	3.58	2.58	4.70
Fire Inspections	300	325	375	55	60	65	75	198	269	106
Public Works										
Lane Miles Maintained	84	84	84	84	84	84	84	84	88	88
Miles of Curb and gutter maintained	168	168	168	168	168	168	168	168	168	168
Parks and recreation										
Park Acres Maintained	122	122	116	116	116	116	116	116	119	119
Athletic Fields Maintained	N/A	N/A	3	5	8	8	13	13	8	10
Community Center Memberships	N/A	2,779	2,540	1,600	1,800	2,300	2,800	1,267	1,372	1,237
Program/Class/League Attendance	19,357	29,639	20,443	31,982	87,351	40,741	77,000	56,430	40,938	65,282
Library										
Number of Programs Offered	325	330	355	350	437	355	380	655	693	842
Number of School Visits	7	7	8	15	11	8	8	18	8	13
Number of Books in Collection	38,407	42,971	44,830	49,866	52,415	58,147	62,131	62,150	65,517	67,614
Number of Media in Collection	7,884	6,465	7,451	8,472	15,013	12,037	14,007	15,247	16,389	17,199
Electronic Format Materials	8	4	6	6	13	58	58	85	53	53
Water and Sew er										
Number of Water Consumers	8,011	8,028	8,084	8,055	8,202	8,133	8,195	8,181	8,162	8,199
Average daily consumption (mil gal)	3	2	2	2	3	2	2	2	2	2
Amt of sew er line inspected (Linear Ft)	8,000	9,000	8,900	15,000	5,136	10,000	10,000	10,000	3,500	3,800

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)

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	12	12	12	12	12	12	12	12	11
Animal Control Facility						1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	84.0	84.0	84.0	84.0	85.0	85.0	85.0	85.0	85.0	88.0
Streetlights	703	703	703	703	703	703	703	703	703	703
Traffic signals	N/A	N/A	11	11	11	11	11	11	11	11
Parks and recreation										
Acreage (Developed & Undeveloped)[a]	123	124	124	124	124	124	124	124	124	124
Parks	9	10	10	10	10	10	10	10	10	10
Athletic Fields	5	5	5	5	8	8	8	8	8	10
Senior Centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	84.0	84.0	84.0	84.0	85.0	85.0	85.0	85.0	85.0	85.0
Fire hydrants	N/A	N/A	N/A	N/A	620	620	620	620	620	620
Storage capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shared Ground Storage (owned by NRH)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Wastewater										
Storm sewers (miles)	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Sanitary sewers (miles)	84	84	84	84	85	85	85	85	85	85

Sources: Various city departments.

[a] In FY98 & FY99, sold 60 acres to large retail establishment