



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDING SEPTEMBER 30, 2014

CITY OF WATAUGA, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
September 30, 2014**

PREPARED BY

THE CITY OF WATAUGA

FINANCE DEPARTMENT

CITY OF WATAUGA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2014

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2014

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INTRODUCTORY SECTION



February 20, 2015

**TO: Honorable Mayor Hector F. Garcia and
Members of the City Council
Citizens of the City of Watauga, Texas**

It is with pleasure that we submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Watauga for the fiscal year ended September 30, 2014. We encourage you to thoroughly read this report and take the opportunity to discuss some of the important items it addresses.

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.

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.

Whitley Penn, LLP, a firm of licensed certified public accountants headquartered in Ft. Worth, 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, 2014 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 unmodified opinion that the City of Watauga's financial statements for the fiscal year ended

September 30, 2014 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, 2014. The Comprehensive Annual Financial Report (CAFR) is presented in three sections:

- The Introductory Section, which is unaudited, includes this transmittal letter, GFOA Certificate, the City's Organizational Chart, and a list of principal officials. This section is designed to provide an overview and general understanding of the report.
- The Financial Section provides a detailed presentation of the financial position and results of operations for the fiscal year ended September 30, 2014. The financial section is divided into four main subsections:
 - Management's Discussion and Analysis (MD&A)
 - Basic Financial Statements and related notes
 - Required Supplementary Information
 - Combining and Individual Fund Financial Statements
- The Statistical Section, which is unaudited, includes selected financial and other data designed to present social, economic and financial trends of the City, providing an overall view of the fiscal capacity of the City.

This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. Readers are encouraged to pay particular attention to the Management's Discussion and Analysis (MD&A). The City of Watauga's MD&A can be found immediately following the report of the independent auditors and provides valuable analysis and explanation of the financial statements.

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.

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. In May, 2012, Watauga voters approved a reallocation of ¼ cent sales tax to provide for street maintenance of existing streets. The ¼ cent reallocation for street maintenance was effective October 1, 2012, thus FY2012-13 was the first year the Street Maintenance Fund was in effect.

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 is 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.

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, 2014, there were twenty-six (26) funds, of which some are combined for reporting purposes bringing the number to seventeen (17) funds. A description of the major funds or groups of funds follows:

The **General Fund** is used to account for all financial resources, except those accounted for in another fund.

Debt Service Funds 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 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** 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 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 are used to account for specific revenues that are legally restricted to expenditures for a particular purpose. The Street Maintenance Fund is used to account for the ¼ cent sales tax approved by voters in May, 2012 for a Street Maintenance Fund, a ¼ cent sales tax for parks (originally ½ cent sales tax increase approved by the voters in 1994 for parks but was reduced to ¼ cent sales tax by the voters in May, 2012 due to the reallocation of ¼ cent to the Street Maintenance Fund), and a fund 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 Red Light Ticket Program, a Park Vista Fund to account for maintenance assessment on four acres of land annexed by the City, a Watauga Parks Development Corporation Construction Fund used to account for the acquisition and construction of major capital park facilities and equipment funded with resources from sales tax revenue bonds in the Park Development Debt Service Fund and revenues generated from sale of property owned by the Parks Development Corporation, and an Equipment Replacement Fund used to purchase various replacement capital items in the City.

The various funds and account groups presented in this financial report were created under the authority of the Charter of the City of Watauga, Texas, as amended up to and including May 11, 2013, and additionally, by the authority of the State of Texas as outlined in Vernon's Annotated Civil Statutes. A description of the funds used by the City and their purpose and the basis of accounting for transactions can be found in Note 1 of the Notes to General Purpose Financial Statements.

Profile of the City of Watauga, Texas

The City of Watauga is located in Tarrant County, one of the fastest growing counties in Texas, 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 and is approximately 96% developed. 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 at 23,510 as of January, 2014.

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 for two year terms. 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, City Secretary, Department Heads, 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).

The primary government provides a full range of services including general government administration, police and fire protection, emergency ambulance service, street maintenance, building inspection services, community development, library services, park and recreational activities, 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 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.

Local Economy

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. Watauga is located in North Central Texas in Northeast Tarrant County, and is surrounded by the cities of Keller, Fort Worth, Haltom City, and North Richland Hills. The economy of the area is based upon diversified manufacturing and service industries, and agriculture. The twelve county Dallas-Fort Worth Metroplex has a total population of almost 6.5 million people, making it the largest metropolitan area in the South and the fourth-largest in the United States. 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 40th anniversary in 2014, covers approximately twenty-eight square miles and represents one of the largest facilities of its kind in the world. The airport provides in excess of 321,000 jobs and contributes over \$15.7 billion to the local economy. (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2012 Comprehensive Annual Financial Report.

The Alliance Texas Development is an 18,000-acre master planned, mixed use community located in North Fort Worth approximately 13 miles north of Watauga. The Alliance Texas development contributes an estimated 2.14 billion annually to the local economy and is home to more than 400 companies, over 40,000 employees and more than 7,700 single-family homes. The development includes Fort Worth's Alliance Airport, the first purely industrial airport in the Western Hemisphere, which serves as the cornerstone for the nation's fastest growing industrial complex. (SOURCE: Alliance Website www.allianceairporttexas.com).

Although the DFW Metroplex has fared better than other areas of the nation during the recession, the local economy did experience a downturn. The City of Watauga property values, like most of those nation-wide, declined in recent years. Total taxable value for residential and commercial property in the City of Watauga fell from approximately \$1.008 billion in Tax Year 2009-10 to \$962 million in Tax Year 2012-13. The City's taxable values for Tax Year 2013-14 remained relatively flat from Tax Year 2012-13. FY2014-15 taxable values for all residential and commercial property in the City of Watauga totaled approximately \$997K, which represents a 3.5% increase over the prior year. We are forecasting only a slow recovery in property valuations for future years.

Increased sales tax receipts since FY2009-10 however, have helped to offset the decline in property tax receipts. New development is expected to be minimal 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, while requests for services and infrastructure replacement for streets and utility needs will increase. The City is now focusing on redevelopment and revitalization. This redevelopment and revitalization program was put in place in the FY2013-14 fiscal year and funding is continued for budget year 2014-15.

Long-Term Financial Planning

The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2014-15 and subsequent years. Working within the framework of current financial constraints, the City will focus on infrastructure needs such as upgrades/maintenance of the water/sewer system, street projects and drainage projects in the upcoming fiscal year and beyond. The City is in the process of updating its comprehensive capital improvement document and a multi-year financial plan is being used as a tool to assist with long term planning. At the time of this report, the FY2015-16 Strategic Planning meetings are currently in progress and will be a necessary component of Watauga's ability to meet the infrastructure needs with existing resources into the future.

Fiscal policies provide for the General Fund reserve to not go below 25% of the General Fund expenditure budget. The current reserve is maintained at 51% of next year's budgeted expenditures. At the end of the current year, the City was in compliance with this policy.

The City's fiscal policies for the Water and Wastewater Fund require the maintenance of a minimum reserve of 20% of the budgeted expenditures. At the end of the 2013-14 Fiscal Year, the City was in compliance with this policy.

Major Initiatives

The City has partnered with Tarrant County, volunteers, local churches and businesses to renovate qualifying homes in the community through the Tarrant County Home Program, the 6Stones organization, and World Changers. This program assists qualifying residents with home repair needs that are unable to perform the necessary work themselves.

The City's 5-year Capital Improvement Plan (CIP) addresses the infrastructure needs throughout the City. Major drainage projects are underway that will be funded by Storm Drain Fund Revenues in the FY2014-17 fiscal years. There are several neighborhoods throughout the City in which residents have experienced flooding and drainage problems. The projects will provide drainage relief to prevent flooding and damage to residential homes in the area. The first of such projects was designed in FY2012-13 and will commence in FY14-15. Water and sewer improvement projects funded by a \$7.73 million bond issuance in FY2012 will continue for several years. Improvements include replacing existing lines that will provide improved service to existing customers and replacing existing lines that have been identified as being in poor condition. The sewer lines and manholes to be replaced will continue to be identified via smoke testing and CCTV inspection. Many of the existing sewer lines to be replaced are undersized vitrified clay tile pipe that is cracking and allowing infiltration and inflow into the lines.

In August 2014, the City issued 3.5 Million in bonds for improvements to Bursey Road, a major thoroughfare in the City and for the expansion of the existing Community Center to provide for an updated Senior Center facility. The Bursey Road project will improve traffic flow with a four (4) lane road design and the new Senior Center facility will better serve the needs of the community's senior citizens. These projects will begin in FY2014-15 and will continue for the next couple of years.

The street overlay and street maintenance program has been enhanced through the reallocation of ¼ cent sales tax from the Parks Development Corporation that voters approved in May, 2012. These sales tax dollars allow for the street program to be funded annually without reliance on the General Fund as the funding source. Through this reallocation, the Parks Development Corporation continues to have enough funding for operations, and planned projects will continue to be funded with the use of fund balance. Projects currently in progress include a Skate Park at Indian Springs, and replacement of irrigation equipment at various parks throughout the City.

The City will continue to work toward the goal of enhancing the capabilities of the Police and Fire department, while maintaining existing citizen services. In FY2012, the City consolidated our jail and dispatch services with neighboring cities in order to decrease operational costs while providing increased levels of service.

In FY2013-14, the City enhanced the use of an Equipment Replacement Fund to level and plan the purchase of equipment and capital that meets certain cost thresholds and a minimum useful life. This includes rolling stock, technology and facility needs such as roofing, flooring, etc. This use of the Equipment Replacement Fund was further expanded in FY2014-15 to include the financing of legacy equipment (equipment purchased in prior years). Through this fund, beginning in FY2014-15, we also began a two year scheduled replacement program for all computers in the City.

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, 2013. 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-nine consecutive years. We believe that our current comprehensive annual financial report continues to meet 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, 2013. This is the twenty-fifth 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 sixth 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.

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,



Greg Vick
City Manager



Sandra Gibson, CGFO
Director of Finance & Administration

**CITY OF WATAUGA, TEXAS
PRINCIPAL OFFICIALS AS OF
SEPTEMBER 30, 2014**

Elected Officials	Position	Term Expires
Hector Garcia	Mayor	2015
Robert Davis	Mayor Pro Tem, Council Member - Place 7	2016
Michael Steele	Council Member - Place 1	2016
Brandon Krausse	Council Member - Place 2	2016
Lee Griffin	Council Member - Place 3	2015
James Wright	Council Member - Place 4	2015
Melva Clark	Council Member - Place 5	2015
Patrick Shelbourne	Council Member - Place 6	2016

Appointed Officials	Position
Greg Vick	City Manager
Mark G. Daniel	City Attorney
Stewart Bass	Municipal Judge
Zolaina Reyes	City Secretary
Keith Miertschin	Public Works Director
Lana Ewell	Library Director
Sal Torres	Parks and Community Services Director
Robert Parker	Acting Police Chief
Bill Crawford	Fire Chief
Sandra Gibson	Director of Finance and Administration
Marcia Reyna	Human Resources and Civil Service Director
Brad Fraley	Chief Information Officer & PID



Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**City of Watauga
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013



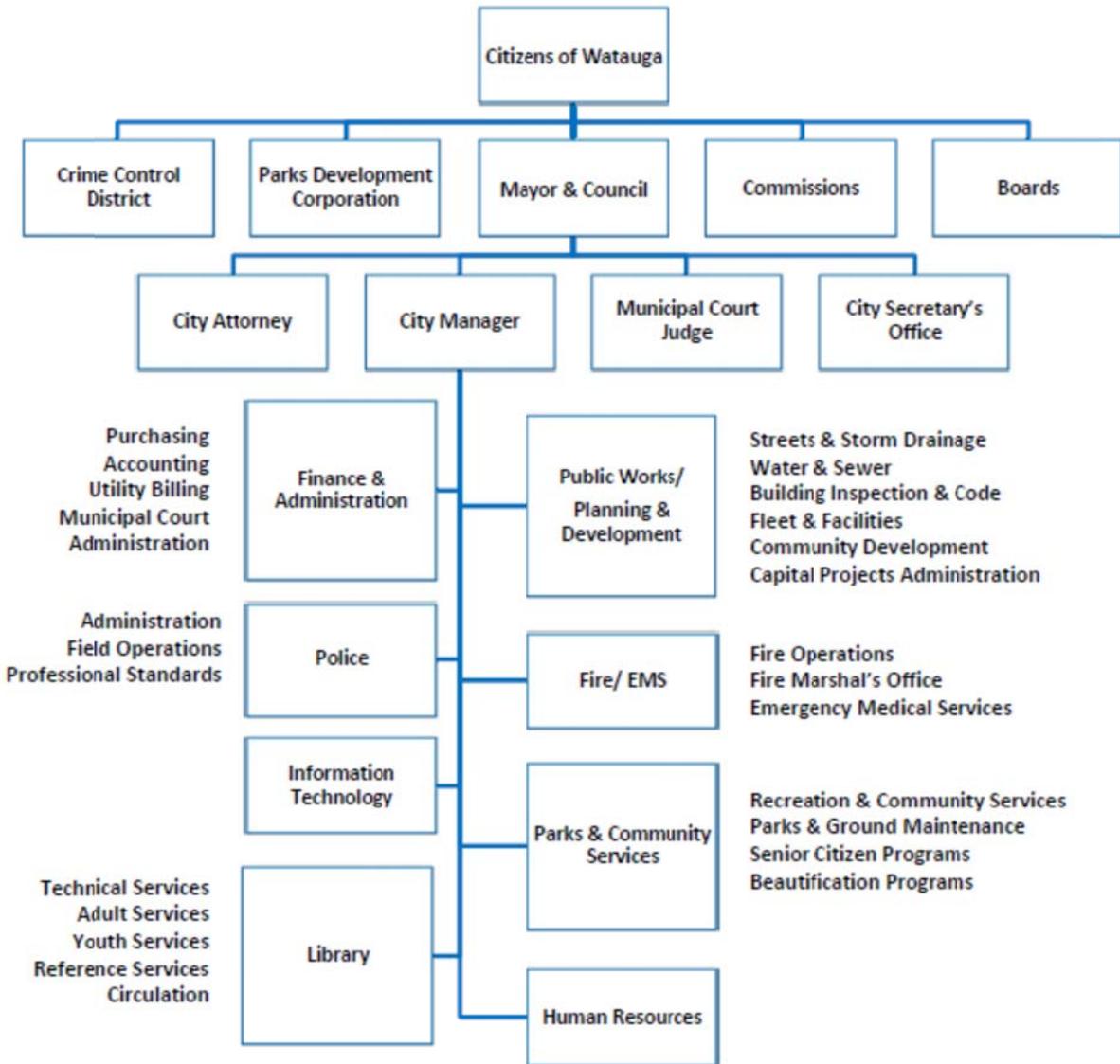
Executive Director/CEO

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, 2013. The City of Watauga has received the Certificate of Achievement, which is a prestigious national award, for the last twenty-nine consecutive years.

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

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

CITY OF WATAUGA ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 11, schedule of funding progress for participation in Texas Municipal Retirement System on page 47, and budgetary comparison information on pages 48 to 49, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial 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 nonmajor fund statements and schedules are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 do not express an opinion or provide any assurance on them.



Houston, Texas
February 20, 2015

CITY OF WATAUGA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year Ended September 30, 2014

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 and financial position of the City for the fiscal year ended September 30, 2014. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focus on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Have net position or fund balances of the government been maintained? Readers are encouraged to consider the information presented here in conjunction with our Letter of Transmittal and the Statistical Section which can be found on pages i-viii and pages 71-91 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.cowtx.org.

Please note that the Report of Independent Auditors 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 1-4 and Figures 1-2 in Appendices

- At September 30, 2014, Government-Wide Total Assets and Deferred Outflows of Resources exceeded Total Liabilities by \$70,076,734 (Net position) or an increase of \$2,154,610 over the prior year.
- Of the Total Government-Wide Net Position, \$12,501,925 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. This is a increase of \$657,736 from the prior year. This was primarily due to decreases in net revenues during the fiscal year.
- Governmental Activities Total Net Position increased by \$776,633 due to an increase in general revenues and a decrease in interest for long term debt.
- Total Governmental Funds ending balance was \$14,467,397, an increase of \$3,613,421 due primarily to the issuance of \$3,500,000 in Certificates of Obligation. The Unassigned General Fund balance is \$5,914,070, or 56% of total General Fund expenditures.
- Business-Type Activities Total Net Position increased by \$1,377,977 due primarily to infrastructure improvements and a decrease in long-term debt.
- The City's total long-term debt increased from \$29,701,535 to \$30,280,035 or 1.9% due to the issuance of the Certificates of Obligation, offset by debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

CITY OF WATAUGA, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources and liabilities, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 12 through 13 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 fifteen 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, and Debt Service funds, which are considered to be major funds. Data from the other thirteen 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 14-17 of this report.

CITY OF WATAUGA, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 18-22 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 23-43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information (RSI) can be found on pages 47-49 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 54-67 of this report.

Government-Wide Financial Analysis

Total Assets of the City are \$102,778,175. Capital assets, net of depreciation, represent the largest portion of the City's assets (\$72,062,816, or 70.1%) and include land, buildings, improvements, equipment, infrastructure, and construction-in-progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. As of September 30, 2014, the City of Watauga's assets and deferred outflows of resources exceeded liabilities by \$70,076,734 (Net Position).

The City's Net Investment in Capital Assets is \$56,953,192. 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 position is \$621,617, or 0.9% of total net position, and represent resources that are subject to external restrictions on how they may be used. The remaining balance of total net position is unrestricted (\$12,501,925 or 17.8%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of \$2,154,610 or 3.2% in total net position during the fiscal year. Governmental activities showed an increase of \$776,633, while Business-type activities showed a net increase of \$1,377,977.

**CITY OF WATAUGA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Table 1

Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 16,321,721	\$ 12,349,868	\$ 14,393,638	\$ 15,598,078	\$ 30,715,359	\$ 27,947,946
Capital assets	46,247,632	46,958,972	25,815,184	25,024,226	72,062,816	71,983,198
Total Assets	62,569,353	59,308,840	40,208,822	40,622,304	102,778,175	99,931,144
Deferred outflows of resources	82,540	110,964	58,756	82,259	141,296	193,223
Long-term liabilities outstanding	17,522,395	15,321,725	12,757,641	14,379,810	30,280,036	29,701,535
Other liabilities	1,178,180	923,394	1,384,521	1,577,314	2,562,701	2,500,708
Total Liabilities	18,700,575	16,245,119	14,142,162	15,957,124	32,842,737	32,202,243
Net position:						
Net investment in capital assets	36,422,084	36,189,453	20,531,108	19,337,856	56,953,192	55,527,309
Restricted	534,026	478,895	87,591	71,731	621,617	550,626
Unrestricted	6,995,208	6,506,337	5,506,717	5,337,852	12,501,925	11,844,189
Total Net Position	\$ 43,951,318	\$ 43,174,685	\$ 26,125,416	\$ 24,747,439	\$ 70,076,734	\$ 67,922,124

As of September 30, 2014, the City is able to report positive balances in all three categories of net position, 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 position was \$776,633 or 1.8% over the prior year. Key elements of activity changes from the prior year are as follows:

- Total revenues increased by \$480,928 or 3.1% from the prior year, while expenses increased by \$379,729 or 2.4%.
- Transfers from Business-Type Activities decreased by \$2,502.

Business-type activities. Business-type activities increased the City's net position by \$1,377,977, accounting for 64.0% of the total growth in net position.

Significant changes from the prior year include:

- Total revenues decreased by \$228,444.
- Fees, Fines, and Charges for Services revenue decreased by \$262,839 or 2.7% due to a decrease in water consumption.
- Total expenses decreased by \$151,137 or 2.0%. This was due primarily to a slight decrease in water and sewer expenses of \$86,267.

**CITY OF WATAUGA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Table 2

Statement of Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Fees, fines and charges for services	\$ 2,740,562	\$ 2,479,331	\$ 9,310,818	\$ 9,573,657	\$ 12,051,380	\$ 12,052,988
Operating grants and contributions	16,438	20,088	-	-	16,438	20,088
Capital grants and contributions	-	209,350	16	-	16	209,350
General revenue						
Property taxes	5,677,248	5,627,201	-	-	5,677,248	5,627,201
Sales taxes	6,008,050	5,675,542	-	-	6,008,050	5,675,542
Franchise taxes	1,125,164	1,065,054	-	-	1,125,164	1,065,054
Payment in lieu of taxes	469,219	471,721	-	-	469,219	471,721
Penalties and interest	32,724	33,006	-	-	32,724	33,006
Interest on investments	10,763	25,392	3,384	5,613	14,147	31,005
Miscellaneous revenue	51,317	43,872	36,608	-	87,925	43,872
Total Revenues	16,131,485	15,650,557	9,350,826	9,579,270	25,482,311	25,229,827
Expenses						
General government	5,946,991	5,965,810	-	-	5,946,991	5,965,810
Public safety	5,121,732	5,135,677	-	-	5,121,732	5,135,677
Culture and recreation	2,411,179	2,372,941	-	-	2,411,179	2,372,941
Public works	1,980,003	1,473,221	-	-	1,980,003	1,473,221
Interest on long-term debt	364,167	496,694	282,538	282,538	646,705	779,232
Water and sewer	-	-	6,133,715	6,219,982	6,133,715	6,219,982
Drainage Utility	-	-	1,087,378	1,152,248	1,087,378	1,152,248
Total Expenses	15,824,072	15,444,343	7,503,631	7,654,768	23,327,703	23,099,111
Increase (decrease) in net position before transfers	307,413	206,214	1,847,195	1,924,502	2,154,608	2,130,716
Transfers	469,219	471,721	(469,219)	(471,721)	-	-
Increase (decrease) in net position after transfers	776,632	677,935	1,377,976	1,452,781	2,154,608	2,130,716
Net position - beginning	43,174,686	42,728,612	24,747,440	23,530,037	67,922,126	66,258,649
Prior period adjustment	-	(231,861)	-	(235,378)	-	(467,239)
Net position - ending	\$ 43,951,318	\$ 43,174,686	\$ 26,125,416	\$ 24,747,440	\$ 70,076,734	\$ 67,922,126

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 \$14,467,397, which is an increase of \$3,613,421 from the prior year. Unassigned fund balance is \$5,914,070 or 56% 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 (\$16,095) and prepaid items (\$114,315), 2) restricted for capital acquisitions and contractual obligations (\$5,329,060), retirement of fund indebtedness (\$540,837), culture and recreation (\$742,157, public works (\$421,174) and public safety (\$1,389,689).

The general fund is the primary operating fund of the City. The fund balance has increased by a net \$495,004 over the prior year, to \$5,914,070. This was more than the budgeted decrease of \$326,398 due

CITY OF WATAUGA, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

to expenditures coming in less than budgeted for all departments and revenues coming in higher than budgeted.

The G.O. Debt Service fund increased by \$55,983 over the prior year, to \$305,222 as a result of a slight increase in tax revenue over budgeted amount.

Other Governmental Funds showed a \$61,324 decrease in fund balance from the prior year. This was primarily due to capital projects in the Parks Development Sales Tax and Construction Fund.

The City had a new governmental fund in FY2013; the Street Maintenance Fund, which was established to account for a one-fourth cent sales tax approved by voters on May 12, 2012, for an initial period of four years. The purpose of the sales tax is to provide for the maintenance and repair of municipal streets in existence at the time of the vote. The Watauga Parks Development Corporation sales and use tax was reduced by one-fourth of one percent and reallocated to the street maintenance tax. This reallocation was effective October 1, 2012.

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 position of the respective proprietary funds are Water/Sewer at \$3,041,765 and Drainage Utility at \$2,464,952. The proprietary funds had a combined net position increase of \$1,318,850. The Water/Sewer fund had an increase in the net position of \$1,029,250, while the Drainage Utility had a net position increase of \$289,600. The adjustments for consolidation of the Internal Service fund included an additional gain of \$59,126.

Budgetary Highlights

Actual total general fund expenditures were significantly under budget for FY 2014. There was an overall positive variance with final budget for the General Fund of \$821,402. A major component in this positive variance was lower than forecasted expenditures of \$424,790.

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, 2014, amount to \$72,062,816 (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 \$79,618. This was primarily from purchase of new assets with proceeds from bonds issued during the prior fiscal years.

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

- Increase of \$2,394,246 in waterline replacements that were completed in May 2014;
- Increase of \$490,378 in Construction in Progress for the Veteran's Memorial, Amphitheater Shade Structure, and Watauga Road Phase I;
- Increase of \$299,199 in Construction in Progress for the Watauga Heights Drainage Design and Wastewater Improvement project that began in FY2011-2012;
- Increase of \$591,107 in infrastructure improvements (streets, sidewalks, and traffic lights);
- Increase of \$213,671 for the Water Meter Replacement Program and vehicles and equipment;
- And depreciation expense of \$2,747,745

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

**CITY OF WATAUGA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Table 3

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

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 19,019,600	\$ 19,019,600	\$ 91,000	\$ 91,000	\$ 19,110,600	\$ 19,110,600
Construction in progress	490,378	2,500	1,071,496	2,041,874	1,561,874	2,044,374
Buildings and improvements	15,564,051	15,915,665	2,418,516	2,434,156	17,982,567	18,349,821
Improvements other than buildings	391,534	399,810	-	-	391,534	399,810
Equipment	4,148,858	4,638,874	947,266	1,013,402	5,096,124	5,652,276
Drainage improvements	-	-	8,595,725	8,930,972	8,595,725	8,930,972
Infrastructure	6,633,211	6,982,523	-	-	6,633,211	6,982,523
Waterworks and sanitary sewer system	-	-	12,691,181	10,512,822	12,691,181	10,512,822
Total Capital Assets	<u>\$ 46,247,632</u>	<u>\$ 46,958,972</u>	<u>\$ 25,815,184</u>	<u>\$ 25,024,226</u>	<u>\$ 72,062,816</u>	<u>\$ 71,983,198</u>

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$30,280,035. Of this amount, \$26,035,000 comprises debt backed by the full faith and credit of the government. The City has \$415,000 in Revenue Bond debt, which is secured by sales tax revenues of the Parks Development Corporation.

Other debt includes \$615,629 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair, and \$2,622,359 in Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's total debt increased by \$578,500, which includes a \$215,647 increase in compensated balances.

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

Table 4

Statement of City of Watauga's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 4,430,000	\$ 4,950,000	\$ 2,480,000	\$ 3,630,000	\$ 6,910,000	\$ 8,580,000
Certificates of obligation	9,620,000	6,940,000	9,505,000	9,950,000	19,125,000	16,890,000
Revenue bonds	415,000	610,000	-	-	415,000	610,000
Notes payable	615,629	668,403	-	-	615,629	668,403
Compensated absences payable	2,285,249	2,084,496	337,110	322,216	2,622,359	2,406,712
Unamortized bond premium	156,516	68,826	435,531	477,594	592,047	546,420
	<u>\$ 17,522,394</u>	<u>\$ 15,321,725</u>	<u>\$ 12,757,641</u>	<u>\$ 14,379,810</u>	<u>\$ 30,280,035</u>	<u>\$ 29,701,535</u>

Economic Factors and Next Year's Budgets and Rates

The City of Watauga continues to face challenges in the next fiscal year and beyond. There is an increased demand for services and the need to replace aging infrastructure.

Current long range financial planning revolves around several major water/sewer system infrastructure projects as well as significant improvements to our storm water drainage system. The 2014 Certificates of Obligation will partially fund Bursey Road, a major street project that is located in a prime area of the City that has potential for economic development opportunities. In addition, the 2014 bond proceeds will partially fund a new Senior Center that will better meet the needs of the community.

As the City approaches full build out, planning initiatives for re-development of certain aging corridors in the City have become the focus. The FY2014-15 budget includes a new Planning and Development

**CITY OF WATAUGA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Manager position to help the City move forward in this process. A Strategic Initiative Fund has been created in the FY2014-15 budget year in order to set aside funding for Council stated goals and priorities.

In addition, the enhanced use and funding of the Equipment Replacement Fund for capital asset replacement shows the commitment and recognition that a scheduled replacement program provides for the best utilization of financial resources in the current year and into the future. Staff has evaluated prior year equipment purchases funded with fund balance appropriations or bond proceeds. A funding plan has been created for the Equipment Replacement Fund Legacy program to help partially fund future equipment, technology, and HVAC needs.

Several of the focus items above will be more completely addressed when the new Planning and Development Division has been established.

The total taxable assessed value of property within the City previously peaked in FY2008/2009 at \$1.042 billion, and the City had experienced a decline in valuations by 8% since that time. Although valuations stabilized in FY2012-13, valuations had remained flat until this year. In FY2014/2015, property valuations have increased by 3.5% compared to FY2013/2014. Although we are pleased with the valuation increases this year, there is a continuing need to focus on revitalization due to the aging housing stock within our City. The Revitalization program put in place in FY2013-14 continues in the FY2014-15 budget year.

The Storm Drain fee was re-evaluated in FY2013-14 with no proposed change in rate structure or services. The first major drainage project in the Watauga Heights area of the City and the Wastewater South Improvements Project is planned for FY2014-15. The most recent increases in water and wastewater rates were implemented in FY2011-12. A pass-through mechanism is being evaluated in the FY2014-15 for increased wholesale water and wastewater costs the City has experienced since FY2011-12.

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 Gibson, CGFO, Director of Finance and Administration by phone at 817-514-5822, or by email at sgibson@cowtx.org.

City of Watauga - Management's Discussion and Analysis Appendices

Figure 1

Revenues and Program Expenses – Governmental Activities

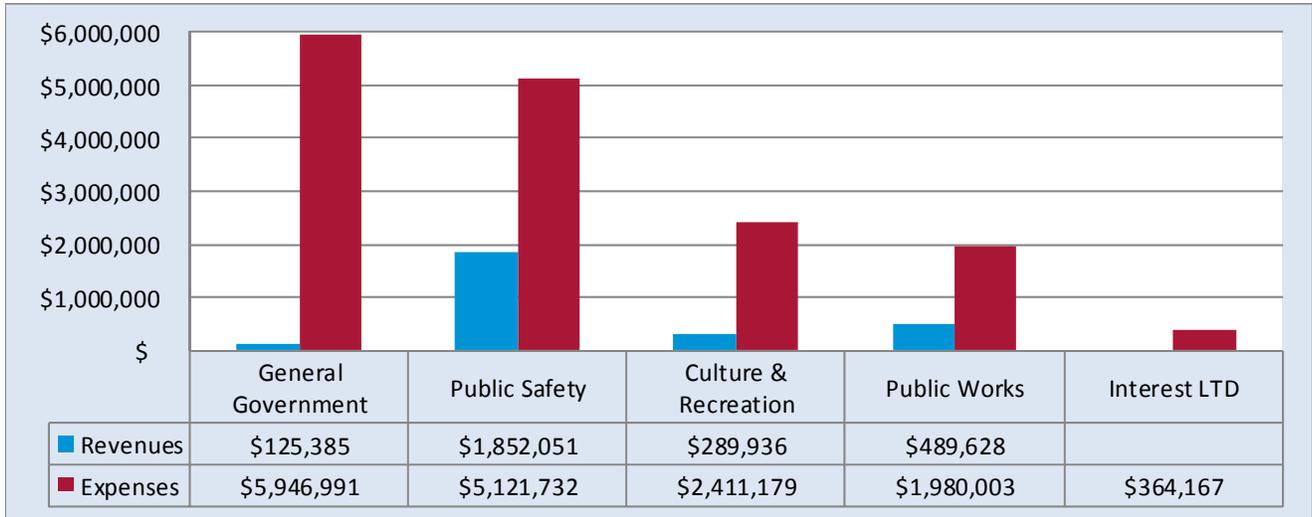
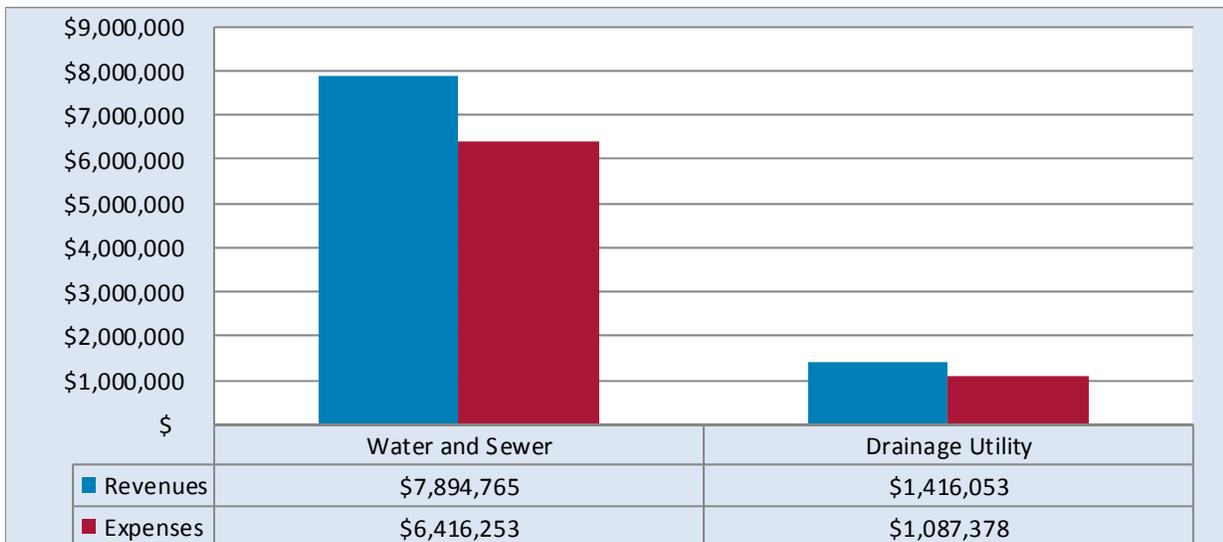


Figure 2

Revenues and Program Expenses – Business-Type Activities



CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF NET POSITION
September 30, 2014

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,969,631	\$ 5,005,607	\$ 13,975,238
Investments	5,512,225	8,060,346	13,572,571
Receivables, net of allowance for uncollectibles	1,709,455	1,224,377	2,933,832
Inventories	16,095	15,717	31,812
Prepaid items	114,315	-	114,315
Restricted cash and cash equivalents	-	87,591	87,591
Capital assets:			
Land	19,019,600	91,000	19,110,600
Buildings and improvements	15,564,051	2,418,516	17,982,567
Improvements other than buildings	391,534	-	391,534
Equipment	4,148,858	947,266	5,096,124
Drainage improvements	-	8,595,725	8,595,725
Infrastructure	6,633,211	-	6,633,211
Waterworks and sanitary sewer system	-	12,691,181	12,691,181
Construction in progress	490,378	1,071,496	1,561,874
Total Capital Assets	<u>46,247,632</u>	<u>25,815,184</u>	<u>72,062,816</u>
Total Assets	<u>62,569,353</u>	<u>40,208,822</u>	<u>102,778,175</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	82,540	58,756	141,296
Total deferred outflows of resources	<u>82,540</u>	<u>58,756</u>	<u>141,296</u>
LIABILITIES			
Accounts payable	488,428	389,583	878,011
Accrued liabilities	607,011	74,357	681,368
Accrued interest	57,319	53,873	111,192
Customer deposits	25,422	866,708	892,130
Long-term liabilities:			
Due within one year	1,731,604	1,753,876	3,485,480
Due in more than one year	15,790,791	11,003,765	26,794,556
Total Liabilities	<u>18,700,575</u>	<u>14,142,162</u>	<u>32,842,737</u>
NET POSITION			
Net investment in capital assets	36,422,084	20,531,108	56,953,192
Restricted for:			
Debt service	534,026	87,591	621,617
Unrestricted	6,995,208	5,506,717	12,501,925
Total Net Position	<u>\$ 43,951,318</u>	<u>\$ 26,125,416</u>	<u>\$ 70,076,734</u>

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

CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
September 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Program Revenue		Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
			Governmental Activities	Business-Type Activities	Total
Primary government					
Governmental activities					
General government	\$ 5,946,991	\$ 125,385	\$ -	\$ (5,821,606)	\$ (5,821,606)
Public safety	5,121,732	1,852,051	-	(3,269,681)	(3,269,681)
Culture and recreation	2,411,179	273,498	16,438	(2,121,243)	(2,121,243)
Public works	1,980,003	489,628	-	(1,490,375)	(1,490,375)
Interest on long-term debt	364,167	-	-	(364,167)	(364,167)
Total governmental activities	15,824,072	2,740,562	16,438	(13,067,072)	(13,067,072)
Business-type activities:					
Water and Sewer	6,416,253	7,894,765	-	1,478,528	1,478,528
Drainage Utility	1,087,378	1,416,053	-	328,675	328,675
Total business-type activities	7,503,631	9,310,818	16	1,807,203	1,807,203
Total primary government	\$ 23,327,703	\$ 12,051,380	\$ 16,438	(13,067,072)	(11,259,869)
General revenues:					
Taxes:					
Property taxes, levied for general purposes				5,677,248	5,677,248
Sales taxes				6,008,050	6,008,050
Franchise taxes				1,125,164	1,125,164
Payment in lieu of taxes				469,219	469,219
Penalties and interest				32,724	32,724
Interest on investments				10,763	14,147
Miscellaneous revenue				51,317	87,925
Transfers				469,219	-
Total general revenues and transfers				13,843,704	13,414,477
Change in net position				776,632	2,154,608
Net position - beginning				43,174,686	67,922,126
Net position - ending				\$ 43,951,318	\$ 70,076,734

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

CITY OF WATAUGA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	G.O. Debt Service Fund	G.O. Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,761,546	\$ 191,637	\$ 57,802	\$ 2,631,943	\$ 8,642,928
Investments	-	120,437	4,464,033	927,755	5,512,225
Receivables, net of allowance for uncollectibles					
Property taxes	101,654	43,656	-	-	145,310
Accounts receivable	1,039,132	-	-	525,013	1,564,145
Prepays and deposits	106,545	-	-	7,770	114,315
Inventory of supplies	16,095	-	-	-	16,095
Total Assets	\$ 7,024,972	\$ 355,730	\$ 4,521,835	\$ 4,092,481	\$ 15,995,018
LIABILITIES, DEFERRED INFLOWS AND NET POSITION					
Liabilities:					
Accounts payable	\$ 65,111	\$ -	\$ 5,144	\$ 418,172	\$ 488,427
Accrued liabilities	495,511	-	-	65,535	561,046
Accrued interest payable	-	6,852	-	-	6,852
Deposits	25,422	-	-	-	25,422
Unearned revenue	45,965	-	-	-	45,965
Total Liabilities	632,009	6,852	5,144	483,707	1,127,712
Deferred Inflows of Resources					
Unavailable revenue - Property Taxes	101,655	43,656	-	-	145,311
Unavailable revenue - EMS	254,598	-	-	-	254,598
Total Deferred Inflows of Resources	356,253	43,656	-	-	399,909
Fund balances:					
Non-Spendable					
Inventories	16,095	-	-	-	16,095
Prepaid items	106,545	-	-	7,770	114,315
Restricted					
Capital acquisitions and contractual obligations	-	-	4,516,691	812,369	5,329,060
Debt service	-	305,222	-	235,615	540,837
Culture and recreation	-	-	-	742,157	742,157
Public works	-	-	-	421,174	421,174
Public safety	-	-	-	1,389,689	1,389,689
Unassigned	5,914,070	-	-	-	5,914,070
Total Fund balances	6,036,710	305,222	4,516,691	3,608,774	14,467,397
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,024,972	\$ 355,730	\$ 4,521,835	\$ 4,092,481	\$ 15,995,018

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

**CITY OF WATAUGA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2014**

Total fund balance - governmental funds \$ 14,467,397

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 46,247,632

Deferred charge on refunding 82,540

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. (50,467)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. The net position of the internal service fund is net of the amount allocated to business-type activities, deferred charges, capital assets and long-term liabilities. 326,702

Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements. 399,909

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. (17,522,395)

Net position of governmental activities \$ 43,951,318

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

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2014

	<u>General Fund</u>	<u>G.O. Debt Service Fund</u>	<u>G.O. Capital Projects Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 8,113,313	\$ 1,737,192	\$ -	\$ 2,972,160	\$ 12,822,665
Licenses and permits	309,592	-	-	-	309,592
Charges for services	777,747	-	-	-	777,747
Fines and forfeitures	737,435	-	-	658,628	1,396,063
Interest income	4,741	361	3,016	2,134	10,252
Intergovernmental	469,219	-	-	-	469,219
Miscellaneous	239,715	-	-	66,789	306,504
Total Revenues	<u>10,651,762</u>	<u>1,737,553</u>	<u>3,016</u>	<u>3,699,711</u>	<u>16,092,042</u>
Expenditures					
Current:					
General government	5,368,520	-	8,750	-	5,377,270
Public safety	2,961,254	-	-	2,003,395	4,964,649
Culture and recreation	1,364,851	-	-	664,917	2,029,768
Public works	817,233	-	-	71,997	889,230
Capital outlay	-	-	587,656	644,026	1,231,682
Debt Service:					
Principal	-	1,340,000	52,774	195,000	1,587,774
Interest and other charges	-	345,817	119,888	18,350	484,055
Total Expenditures	<u>10,511,858</u>	<u>1,685,817</u>	<u>769,068</u>	<u>3,597,685</u>	<u>16,564,428</u>
Excess (deficiency) of revenues over expenditures	<u>139,904</u>	<u>51,736</u>	<u>(766,052)</u>	<u>102,026</u>	<u>(472,386)</u>
Other Financing Sources (Uses)					
General obligation debt issued	-	-	3,500,000	-	3,500,000
Premium on general obligation debt	-	4,247	89,810	-	94,057
Proceeds from sale of assets	22,531	-	200,000	-	222,531
Transfers in	532,569	-	100,000	212,950	845,519
Transfers out	(200,000)	-	-	(376,300)	(576,300)
Total other financing sources and uses	<u>355,100</u>	<u>4,247</u>	<u>3,889,810</u>	<u>(163,350)</u>	<u>4,085,807</u>
Net change in fund balances	495,004	55,983	3,123,758	(61,324)	3,613,421
Fund balances - beginning	<u>5,541,706</u>	<u>249,239</u>	<u>1,392,933</u>	<u>3,670,098</u>	<u>10,853,976</u>
Fund balances - ending	<u>\$ 6,036,710</u>	<u>\$ 305,222</u>	<u>\$ 4,516,691</u>	<u>\$ 3,608,774</u>	<u>\$ 14,467,397</u>

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

CITY OF WATAUGA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

Net change in fund balances - total governmental funds \$ 3,613,421

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. 1,371,826

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. (1,954,033)

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 Activities reports only the gain on the sale of the asset. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold and disposed. (207,101)

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 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. (2,033,100)

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. (200,753)

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. 20,521

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. 165,851

Change in net position of governmental activities \$ 776,632

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

CITY OF WATAUGA, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2014

(1 of 2)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,481,861	\$ 2,523,746	\$ 5,005,607	\$ 326,703
Investments	8,060,346	-	8,060,346	-
Accounts receivable and unbilled revenue less allowance for uncollectibles of \$572,263 for water and sewer, and \$20,855 for drainage utility	1,153,098	71,279	1,224,377	-
Inventories	15,717	-	15,717	-
Restricted bond interest and sinking cash and cash equivalents	87,591	-	87,591	-
Total current assets	11,798,613	2,595,025	14,393,638	326,703
Non-current assets:				
Capital Assets:				
Land	91,000	-	91,000	-
Construction in Progress	877,046	194,450	1,071,496	-
Buildings	3,246,847	106,931	3,353,778	154,384
Equipment	1,522,652	200,268	1,722,920	2,606,757
Street improvements	-	70,991	70,991	-
Drainage improvements	-	16,672,519	16,672,519	-
Waterworks and sanitary sewer system	16,121,372	-	16,121,372	-
	<u>21,858,917</u>	<u>17,245,159</u>	<u>39,104,076</u>	<u>2,761,141</u>
Less Accumulated depreciation	<u>(5,111,542)</u>	<u>(8,296,657)</u>	<u>(13,408,199)</u>	<u>(2,024,368)</u>
Net utility plant and equipment in service	16,747,375	8,948,502	25,695,877	736,773
Total noncurrent assets	16,747,375	8,948,502	25,695,877	736,773
Total assets	28,545,988	11,543,527	40,089,515	1,063,476
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	58,756	-	58,756	-
Total deferred outflows	58,756	-	58,756	-

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

CITY OF WATAUGA, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2014

(2 of 2)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	
LIABILITIES				
<u>Current liabilities</u>				
Payable from current assets				
Accounts payable	\$ 386,852	\$ 2,731	\$ 389,583	\$ -
Accrued liabilities	48,749	25,608	74,357	-
Current portion of compensated absences	39,438	11,945	51,383	-
Current portion of bonds payable	1,702,493	-	1,702,493	-
Deposits	866,708	-	866,708	-
Accrued interest	53,873	-	53,873	-
Total current liabilities	<u>3,098,113</u>	<u>40,284</u>	<u>3,138,397</u>	<u>-</u>
<u>Noncurrent liabilities:</u>				
Bonds payable	10,718,038	-	10,718,038	-
Compensated absences	195,938	89,789	285,727	-
Total non-current liabilities	<u>10,913,976</u>	<u>89,789</u>	<u>11,003,765</u>	<u>-</u>
Total liabilities	<u>14,012,089</u>	<u>130,073</u>	<u>14,142,162</u>	<u>-</u>
NET POSITION				
<u>Net investment in capital assets</u>				
Restricted for debt service	11,463,299	8,948,502	20,411,801	736,773
Unrestricted	87,591	-	87,591	-
Total Net Position	<u>\$ 14,592,655</u>	<u>\$ 11,413,454</u>	26,006,109	<u>\$ 1,063,476</u>
Reconciliation to government-wide statement of net position				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>119,307</u>	
			<u>\$ 26,125,416</u>	
Net position of business-type activities				

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

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2014

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
Operating revenues				
Water service	\$ 4,267,272	\$ -	\$ 4,267,272	\$ -
Sewer service	3,213,419	-	3,213,419	-
Drainage fees	-	1,416,053	1,416,053	-
Service fees and miscellaneous	414,090	-	414,090	152,360
Total operating revenues	<u>7,894,781</u>	<u>1,416,053</u>	<u>9,310,834</u>	<u>152,360</u>
Operating expenses				
General and administrative	553,061	3,202	556,263	-
Sewer distribution	1,775,659	-	1,775,659	-
Water distribution	2,510,756	-	2,510,756	-
Personnel services	-	453,624	453,624	-
Nondepartmental	670,724	166,297	837,021	-
Billing and collections	76,695	-	76,695	-
Supplies	-	42,662	42,662	-
Repairs and maintenance	114,297	46,416	160,713	-
Contractual services	-	7,715	7,715	19,025
Capital outlay	-	-	-	32,292
Depreciation and amortization	368,034	349,102	717,136	76,577
Total operating expenses	<u>6,069,226</u>	<u>1,069,018</u>	<u>7,138,244</u>	<u>127,894</u>
Operating income (loss)	<u>1,825,555</u>	<u>347,035</u>	<u>2,172,590</u>	<u>24,466</u>
Non-operating revenues (expenses)				
Investment income	2,059	1,325	3,384	511
Gain (loss) on disposal of capital assets	1,936	11,740	13,676	-
Interest expense	(401,581)	-	(401,581)	-
Total Non-operating revenue (expenses), net	<u>(397,586)</u>	<u>13,065</u>	<u>(384,521)</u>	<u>511</u>
Income (loss) before transfers	1,427,969	360,100	1,788,069	24,977
Transfers in	-	-	-	200,000
Transfers out	<u>(398,719)</u>	<u>(70,500)</u>	<u>(469,219)</u>	<u>-</u>
Change in net position	1,029,250	289,600	1,318,850	224,977
Total net position - beginning of the year	<u>13,563,405</u>	<u>11,123,854</u>		<u>838,499</u>
Total net position - ending of the year	<u>\$ 14,592,655</u>	<u>\$ 11,413,454</u>		<u>\$ 1,063,476</u>

Reconciliation to government-wide statement of net position

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds

59,126

Change in net position of business-type activities

\$ 1,377,976

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

CITY OF WATAUGA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2014

	<u>Business-Type Activities</u>			Governmental Activities - Internal Service Fund
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	
OPERATING ACTIVITIES				
Cash received from customers	\$ 7,995,263	\$ 1,419,961	\$ 9,415,224	\$ 152,360
Cash payments to suppliers for goods and services	(1,059,847)	(275,935)	(1,335,782)	(51,317)
Cash payments to employees for services	(4,844,829)	(434,025)	(5,278,854)	-
Net cash provided (used) by operating activities	<u>2,090,587</u>	<u>710,001</u>	<u>2,800,588</u>	<u>101,043</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	200,000
Transfers to other funds	(398,719)	(70,500)	(469,219)	-
Net cash provided by (used by) noncapital financing activities	<u>(398,719)</u>	<u>(70,500)</u>	<u>(469,219)</u>	<u>200,000</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of equipment	6,508	30,100	36,608	-
Capital expenditures	(1,419,463)	(52,435)	(1,471,898)	(213,671)
Repayment of debt	(1,595,000)	-	(1,595,000)	-
Interest paid on debt	(424,486)	-	(424,486)	-
Net cash used in capital and related financing activities	<u>(3,432,441)</u>	<u>(22,335)</u>	<u>(3,454,776)</u>	<u>(213,671)</u>
INVESTING ACTIVITIES				
Investment income	2,059	1,325	3,384	511
Purchase of investments	1,964,653	376,114	2,340,767	-
Net cash provided by (used by) investing activities	<u>1,966,712</u>	<u>377,439</u>	<u>2,344,151</u>	<u>511</u>
Net change in cash and cash equivalents	226,139	994,605	1,220,744	87,883
Cash and equivalents, beginning of year	<u>2,343,313</u>	<u>1,529,141</u>	<u>3,872,454</u>	<u>238,820</u>
Cash and equivalents, at end of year	<u>\$ 2,569,452</u>	<u>\$ 2,523,746</u>	<u>\$ 5,093,198</u>	<u>\$ 326,703</u>
Unrestricted cash and equivalents	\$ 2,481,861	\$ 2,523,746	\$ 5,005,607	\$ 326,703
Restricted cash and equivalents	87,591	-	87,591	-
	<u>\$ 2,569,452</u>	<u>\$ 2,523,746</u>	<u>\$ 5,093,198</u>	<u>\$ 326,703</u>

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

**CITY OF WATAUGA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2014
(continued)**

	<u>Business-Type Activities</u>			Governmental Activities - Internal Service Fund
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,825,555	\$ 347,035	\$ 2,172,590	\$ 24,466
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	368,034	349,102	717,136	76,577
(Increase) decrease in accounts receivable and unbilled revenue	87,708	3,908	91,616	-
(Increase) decrease in prepaids items	400	-	400	-
(increase) decrease in inventory	(7,599)			
Increase (decrease) in accounts payable	(190,933)	(9,643)	(200,576)	-
Increase (decrease) in accrued liabilities	(11,475)	10,827	(648)	-
Increase (decrease) in compensated absences	6,122	8,772	14,894	-
Increase (decrease) in deposits	12,775	-	12,775	-
Net cash provided by operating activities	<u>\$ 2,090,587</u>	<u>\$ 710,001</u>	<u>\$ 2,800,588</u>	<u>\$ 101,043</u>
Reconciliation of cash to balance sheet				
Cash - current	\$ 2,481,861	\$ 2,523,746	\$ 5,005,607	\$ 326,703
Cash - bond interest and sinking	87,591	-	87,591	-
Cash and cash equivalents	<u>\$ 2,569,452</u>	<u>\$ 2,523,746</u>	<u>\$ 5,093,198</u>	<u>\$ 326,703</u>

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

CITY OF WATAUGA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005, November 6, 2007 and May 11, 2013. 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.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No.'s 91 and 93* of the American Institute of Certified Public Accountants.

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.

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.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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.

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.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Position. 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.

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 position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deposits and Investments

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

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

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

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

Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for 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 \$0.591216 per \$100 of assessed valuation (\$0.591216 per \$100 last year) and assessed valuation is approximately 100% of estimated value.

Prepaid Items

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

Inventories

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

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

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, 2014 was \$2,622,359, including \$337,111 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.

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:

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

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. Per the City's fund balance policy, assigned fund balance amounts are established by the City Manager.

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 by City Council.

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.

Net Position

Net position represent the difference between assets, deferred outflows of resources and liabilities. The City's net investment in capital assets 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 position is 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.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Since under Texas law, appropriations lapse at fiscal year end, outstanding encumbrances are appropriately provided for in the subsequent years' budget to provide for the liquidation of the prior commitments. As of September 30, 2014, the City had no encumbrances in the General Fund that rolled over into the new fiscal year.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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.

Deposits and investments as of September 30, 2014, are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 14,481,856
Business Type Activities	13,153,544
	<u>\$ 27,635,400</u>

Deposits and investments as of September 30, 2014, consist of the following:

Deposits with financial institutions	\$ 2,410,632
Investments	25,224,768
	<u>\$ 27,635,400</u>

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

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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

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, 2014, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 13,366,328	46 days
TexPool Prime	601,681	51 days
Texas Daily	443,884	47 days
LOGIC	8,734,253	59 days
Frost AIM Money Market	2,078,622	Daily
	\$ 25,224,768	

\$912,189 of the investments listed above is in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

As of September 30, 2014, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Rating Required	Actual Investment Rating
TexPool	\$ 13,366,328	AAA	AAAm
TexPool Prime	601,681	AAA	AAAm
Texas Daily	443,884	AAA	AAAm
LOGIC	8,734,253	AAA	AAAm
Frost AIM Money Market	2,078,622	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, 2014, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

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

At September 30, 2014, the carrying amount of the City's cash on hand and deposits was \$2,410,632 and the bank balance was \$3,109,409. Of the bank balance, \$250,000 was covered by federal depository insurance while the remaining \$2,859,409 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

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

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

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 19,019,600	\$ -	\$ -	\$ 19,019,600
Construction in progress	2,500	490,378	(2,500)	490,378
Total capital assets not being depreciated	<u>19,022,100</u>	<u>490,378</u>	<u>(2,500)</u>	<u>19,509,978</u>
Capital assets being depreciated				
Buildings and improvements	19,220,293	63,697	-	19,283,990
Improvements other than buildings	413,778	-	-	413,778
Equipment	11,785,544	366,753	(404,357)	11,747,940
Infrastructure	25,666,766	591,108	-	26,257,874
Total capital assets being depreciated	<u>57,086,381</u>	<u>1,021,558</u>	<u>(404,357)</u>	<u>57,703,582</u>
Less accumulated depreciation				
Buildings and improvements	3,304,628	384,589	30,722	3,719,939
Improvements other than buildings	13,968	8,276	-	22,244
Equipment	7,146,670	682,889	(230,477)	7,599,082
Infrastructure	18,684,243	940,420	-	19,624,663
Total accumulated depreciation	<u>29,149,509</u>	<u>2,016,174</u>	<u>(199,755)</u>	<u>30,965,928</u>
Total capital assets being depreciated, net	<u>27,936,872</u>	<u>(994,616)</u>	<u>(204,602)</u>	<u>26,737,654</u>
Governmental activities capital assets, net	<u>\$ 46,958,972</u>	<u>\$ (504,238)</u>	<u>\$ (207,102)</u>	<u>\$ 46,247,632</u>
	Balance September 30, 2013	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2014
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 91,000	\$ -	\$ -	\$ 91,000
Construction in progress	2,041,874	316,368	(1,286,746)	1,071,496
Total capital assets not being depreciated	<u>2,132,874</u>	<u>316,368</u>	<u>(1,286,746)</u>	<u>1,162,496</u>
Capital assets being depreciated				
Buildings and improvements	3,305,743	48,035	-	3,353,778
Equipment	1,935,835	73,562	(106,030)	1,903,367
Street and drainage improvements	16,743,510	-	-	16,743,510
Waterworks and sewer system	13,727,126	1,107,500	1,286,746	16,121,372
Total capital assets being depreciated	<u>35,712,214</u>	<u>1,229,097</u>	<u>1,180,716</u>	<u>38,122,027</u>
Less accumulated depreciation for				
Buildings and improvements	871,587	63,675	-	935,262
Equipment	922,433	116,762	(83,094)	956,101
Street and drainage improvements	7,812,538	335,247	-	8,147,785
Waterworks and sewer system	3,214,304	215,887	-	3,430,191
Total accumulated depreciation	<u>12,820,862</u>	<u>731,571</u>	<u>(83,094)</u>	<u>13,469,339</u>
Total capital assets being depreciated, net	<u>22,891,352</u>	<u>497,526</u>	<u>1,263,810</u>	<u>24,652,688</u>
Business-type activities capital assets, net	<u>\$ 25,024,226</u>	<u>\$ 813,894</u>	<u>\$ (22,936)</u>	<u>\$ 25,815,184</u>

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - CAPITAL ASSETS (continued)

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

Governmental activities	
General government	\$ 297,366
Public safety	448,591
Culture and recreation	160,529
Public works	1,109,688
Total depreciation expense - Governmental Activities	<u>\$ 2,016,174</u>
Business-Type activities	
Water and sewer	\$ 368,034
Drainage	349,101
Internal Service Fund	14,436
Total depreciation expense - Business-Type Activities	<u>\$ 731,571</u>

Construction in progress and remaining commitments under construction related construction contracts at September 30, 2014 are as follows:

<u>Project Name</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Amphitheater Shade Structure	\$ 59,956	\$ 20,044
Veterans Memorial	78,185	21,815
Watauga Road Phase I	352,237	131,504
Total Governmental Activities	<u>\$ 490,378</u>	<u>\$ 173,363</u>
Business-Type Activities:		
Water and Sewer Projects	\$ 1,071,496	\$ 1,201,343
Total Business-Type Activities	<u>\$ 1,071,496</u>	<u>\$ 1,201,343</u>

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - LONG-TERM DEBT

During the fiscal year ended September 30, 2014, the City issued a Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2014 in amount of \$3,500,000 with an interest rate of 1.00% to 3.50%. The proceeds will be used for street and drainage improvements, parks and recreation projects to include the Recreational Center/Senior Center facility, and professional consulting fees related to the projects.

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2014:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,950,000	\$ -	\$ (520,000)	\$ 4,430,000	\$ 685,000
Certificates of obligation	6,940,000	3,500,000	(820,000)	9,620,000	695,000
Sales tax revenue bonds	610,000	-	(195,000)	415,000	205,000
Unamortized bond premium	68,826	94,056	(6,366)	156,516	10,392
Note payable	668,403	-	(52,774)	615,629	55,150
Compensated absences	2,084,496	357,612	(156,859)	2,285,249	81,062
Total governmental activities	<u>15,321,725</u>	<u>3,951,668</u>	<u>(1,750,999)</u>	<u>17,522,394</u>	<u>1,731,604</u>
Business-Type Activities					
General obligation bonds	3,630,000	-	(1,150,000)	2,480,000	1,205,000
Certificates of obligation	9,950,000	-	(445,000)	9,505,000	455,000
Unamortized bond premium	477,594	-	(42,064)	435,530	42,493
Compensated absences	322,216	58,794	(43,899)	337,111	51,383
Total Business-type Activities	<u>14,379,810</u>	<u>58,794</u>	<u>(1,680,963)</u>	<u>12,757,641</u>	<u>1,753,876</u>
Total government-wide activities	<u>\$ 29,701,535</u>	<u>\$ 4,010,462</u>	<u>\$ (3,431,962)</u>	<u>\$ 30,280,035</u>	<u>\$ 3,485,480</u>

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - LONG-TERM DEBT (continued)

Prior Year Refunding of General Obligation and Sales Tax Bonds

In prior years, the City deferred certain outstanding bonds by placing proceeds of general obligation and sales tax refunding bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the City's financial statements. As of September 30, 2014, none of the defeased bonds remain outstanding.

Amounts payable at September 30, 2014, are comprised of the following individual issues:

	Governmental	Business-Type
\$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%.	\$ 415,000	\$ -
\$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%.	1,800,000	-
\$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%.	2,630,000	-
\$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%.	610,000	-
\$2,145,000 Series 2013 General Obligation Refunding Bonds due in annual installments of \$125,000 to \$270,000 through February 1, 2023; interest at 2.25%.	2,020,000	-
\$3,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$85,000 to \$900,000 through February 2034; interest at 1.00% to 3.500%.	3,500,000	-
\$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%	3,490,000	2,365,000
\$7,730,000 Series 2012 Certificates of Obligation due in annual installments of \$290,000 to \$510,000 through February 1, 2032; interest at 2.00% to 3.25%.	-	7,140,000
\$7,025,000 Series 2005 General Obligation Refunding Bonds due in annual installments of \$40,000 to \$935,000 through March 1, 2016; interest at 4.00% to 5.00%.	-	1,815,000
\$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%.	-	665,000
Total Bonds Payable	\$ 14,465,000	\$ 11,985,000

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - LONG-TERM DEBT (continued)

Notes payable at September 30, 2014, are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
Note payable to City of North Richland Hills annual installments of \$19,785, including interest at 4.5%, maturing February 2021.	\$ 116,590	\$ -
Note payable to City of North Richland Hills annual installments of \$63,068, including interest at 4.5%, maturing October 2024.	<u>499,039</u>	<u>-</u>
Total Notes Payable	<u>615,629</u>	<u>-</u>
Total Bonds and Notes Payable	<u>\$ 15,080,629</u>	<u>\$ 11,985,000</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2014, are as follows:

General Obligation Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 685,000	\$ 114,998	\$ 1,205,000	\$ 84,428	\$ 2,089,426
2016	700,000	95,790	1,275,000	28,679	2,099,469
2017	710,000	76,166	-	-	786,166
2018	730,000	55,999	-	-	785,999
2019	500,000	37,740	-	-	537,740
2020 - 2023	1,105,000	40,973	-	-	1,145,973
	<u>\$ 4,430,000</u>	<u>\$ 421,666</u>	<u>\$ 2,480,000</u>	<u>\$ 113,107</u>	<u>\$ 7,444,773</u>

Certificates of Obligation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 695,000	\$ 287,395	\$ 455,000	\$ 282,375	\$ 1,719,770
2016	690,000	271,319	455,000	272,488	1,688,807
2017	640,000	254,022	505,000	260,837	1,659,859
2018	660,000	235,420	515,000	248,088	1,658,508
2019	785,000	214,072	530,000	234,550	1,763,622
2020 - 2024	4,055,000	666,097	2,910,000	922,375	8,553,472
2025 - 2029	1,490,000	206,885	2,650,000	442,006	4,788,891
2030 - 2034	605,000	54,338	1,485,000	73,369	2,217,707
	<u>\$ 9,620,000</u>	<u>\$ 2,189,548</u>	<u>\$ 9,505,000</u>	<u>\$ 2,736,088</u>	<u>\$ 24,050,636</u>

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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, 2014, are as follows:

Revenue Bonds

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 205,000	\$ 11,094	\$ -	\$ -	\$ 216,094
2016	210,000	3,727	-	-	213,727
	<u>\$ 415,000</u>	<u>\$ 14,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,821</u>

Notes Payable

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 55,150	\$ 27,703	\$ -	\$ -	\$ 82,853
2016	57,631	25,221	-	-	82,852
2017	60,225	22,628	-	-	82,853
2018	62,935	19,918	-	-	82,853
2019	65,767	17,086	-	-	82,853
2020 - 2024	313,921	40,722	-	-	354,643
	<u>\$ 615,629</u>	<u>\$ 153,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,907</u>

General Obligation Bonds and Certificates of Obligation

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

Sales Tax Revenue Bonds

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

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - INTERFUND TRANSFERS

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>
General Fund	WPDC Sales Tax Fund	\$ 35,350
General Fund	Storm Drain Utility	70,500
General Fund	WCCPD Fund	28,000
General Fund	Water and Sewer Operating Fund	398,719
Capital Projects Fund	General Fund	100,000
WPDC Debt Service Fund	WPDC Sales Tax Fund	212,950
		<u>\$ 845,519</u>

Transfers are primarily used to move funds to:

- General Fund from Watauga Parks Development Corporation (“WPDC”) Sales Tax Fund for General and Administrative charges. A percent of fund revenues (less interest income) to pay for general charges that the General Fund pays for but services used also by other funds.
- 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 (“WPCCPD”) 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.
- Capital Projects Fund from General Fund for capital improvement plans, specifically street reconstruction and renovations.
- Watauga Parks Development Corporation Debt Service Fund from Watauga Parks Development Corporation Sales Tax Fund was to provide funds to pay for debt obligations for current year.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 2013	Plan Year 2014
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.

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)	\$ 1,108,798
2 Interest on net pension obligation	-
3 Adjustment to the ARC	-
4 Annual pension cost (APC)	1,108,798
5 Contributions made	(1,108,798)
6 Increase (decrease) in net pension obligation	-
7 Net pension obligation/(asset), beginning of year	-
8 Net pension obligation/(asset), end of year	\$ -

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM (continued)

Contribution (continued)

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

Actuarial valuation date	December 31, 2011	December 31, 2012	December 31, 2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.3 years; closed period	25.4 years; closed period	27.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Marked	10-year Smoothed Marked	10-year Smoothed Marked
Actuarial assumption			
Investment rate of return	7.00%	7.00%	7.00%
Project salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of living adjustments	2.10%	2.10%	2.10%

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. For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the TMRS Comprehensive Annual Financial Report.

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.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM (continued)

Contribution (continued)

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 2013 valuation resulted in an unfunded actuarial accrued liability ("UAAL") of \$6,700,917 which represents an increase over the prior valuation by approximately \$2 million. The funded ratio of the city's plan decreased from 85.0% to 82.0% as a result of the increased 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
2011	\$ 25,823,692	\$ 31,099,053	83.0%	\$ 5,275,361	\$ 8,901,108	59.3%
2012	28,503,862	33,315,307	85.6%	4,811,445	8,802,695	54.7%
2013	30,860,573	37,561,490	82.2%	6,700,917	8,522,742	78.6%

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
2011	\$ 1,129,470	100%	\$ -
2012	1,082,831	100%	-
2013	1,108,798	100%	-

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

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

Supplemental Death Benefits Plan

Plan Description

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

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

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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 position 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.

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
2011	0.01%	0.01%	100%
2012	0.01%	0.01%	100%
2013	0.01%	0.01%	100%

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$12,740, \$12,075 and \$14,589, 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.

CITY OF WATAUGA, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 - 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:

2015	\$	53,010
2016		44,190
		<u>97,200</u>
	\$	<u>97,200</u>

Lease and rental expenditures were \$40,684 for the year ended September 30, 2014.

NOTE 11 - FUND BALANCE RESTRICTIONS

Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors are classified as restricted fund balance. A summary of restricted fund balance in the governmental funds at September 30, 2014, follows:

	G.O. Debt Service Funds	G.O. Capital Projects Fund	Non Major Governmental Funds
Capital acquisitions and contractual obligations	\$ -	\$ 4,516,691	\$ 812,369
Debt service	305,222	-	235,615
Culture and recreation:			
Park improvements	-	-	725,563
Library purposes	-	-	16,594
	-	-	742,157
Public works:			
Street maintenance	-	-	421,174
Public safety:			
Law enforcement	-	-	1,132,485
Municipal court operations	-	-	257,204
	-	-	1,389,689
Total	\$ 305,222	\$ 4,516,691	\$ 3,601,004

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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, 2014**

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
2011	\$ 25,823,692	\$ 31,099,053	83.0%	\$ 5,275,361	\$ 8,901,108	59.3%
2012	28,503,862	33,315,307	85.6%	4,811,445	8,802,695	54.7%
2013	30,860,573	37,561,490	82.2%	6,700,917	8,522,742	78.6%

The Schedule of Funding Progress summarizes the actuarial value of the plan's asset and actuarial accrued liability as of December 31, 2013, 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 ratio (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, 2013, the plan's funded ratio increased to 82.2%.

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, 2013, the plan's ratio of the UAAL to its covered payroll increased to 78.6%.

For the actuarial valuation dated December 31, 2013, the TMRS Board of Trustees adopted changes in the actuarial funding method and assumptions; as such, those changes are reflected in the above numbers. For a complete description of these changes, see Note 6 Employee Retirement System in the accompanying notes to the financial statements.

CITY OF WATAUGA, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,951,000	\$ 7,951,000	\$ 8,113,313	\$ 162,313
Licenses and permits	259,000	259,000	309,592	50,592
Charges for services	734,100	734,100	777,747	43,647
Fines and forfeitures	656,400	656,400	737,435	81,035
Interest income	11,100	11,100	4,741	(6,359)
Intergovernmental	483,500	483,500	469,219	(14,281)
Miscellaneous	163,300	163,300	239,715	76,415
Total Revenues	<u>10,258,400</u>	<u>10,258,400</u>	<u>10,651,762</u>	<u>393,362</u>
Expenditures				
Current:				
Administration	293,700	263,700	237,553	26,147
Non-departmental	1,021,800	1,066,800	1,075,027	(8,227)
Human resources	142,850	142,850	131,504	11,346
Finance	722,800	722,800	644,713	78,087
MIS	371,100	371,100	341,430	29,670
Library	858,187	858,187	816,226	41,961
Recreation and community services	602,000	602,000	548,625	53,375
Police	2,965,150	2,965,150	2,961,254	3,896
Fire/EMS	2,069,262	2,069,262	2,040,351	28,911
Public works	866,139	966,139	817,233	148,906
Fleet maintenance	162,110	162,110	152,965	9,145
Buildings	746,550	746,550	744,977	1,573
Total Expenditures	<u>10,821,648</u>	<u>10,936,648</u>	<u>10,511,858</u>	<u>424,790</u>
Excess (deficiency) of revenues over expenditures	<u>(563,248)</u>	<u>(678,248)</u>	<u>139,904</u>	<u>818,152</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	5,000	5,000	22,531	17,531
Transfers in	546,850	546,850	532,569	(14,281)
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources and uses	<u>351,850</u>	<u>351,850</u>	<u>355,100</u>	<u>3,250</u>
Net change in fund balances	(211,398)	(326,398)	495,004	821,402
Fund balance, beginning of year	5,541,706	5,541,706	5,541,706	-
Fund balance, end of year	<u>\$ 5,330,308</u>	<u>\$ 5,215,308</u>	<u>\$ 6,036,710</u>	<u>\$ 821,402</u>

CITY OF WATAUGA, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
Year Ended September 30, 2014

BUDGETARY CONTROLS AND PROCEDURES

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

- 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.
- The proposed budget and all supporting schedules are filed with the City Secretary when submitted to City Council.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 15, the budget is adopted by affirmative vote of at least two thirds of the members of the City Council.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NON MAJOR 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 quarter-cent 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.

Street Maintenance Sales Tax Fund – to account for a quarter-cent sales tax approved by voters on May 12, 2012 for an initial four years effective October 1, 2012. The purpose of the sales tax is to provide for the maintenance and repair of municipal streets in existence at the time of the vote.

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 Revenue Bonds – to accumulate monies for the payment of interest and principal on sales tax revenue bonds. Financing is provided by sales tax revenue.

NON MAJOR GOVERNMENTAL FUNDS (continued)

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 WATAUGA, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
September 30, 2014**

	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	Traffic Safety Fund
ASSETS							
Cash and cash equivalents	\$ 613,997	\$ (24,052)	\$ 16,560	\$ 41,859	\$ 107,653	\$ 109,075	\$ 257,344
Investments	-	927,755	-	-	-	-	-
Accounts receivable	131,582	261,733	115	-	-	-	-
Prepays and deposits	4,300	3,470	-	-	-	-	-
Total assets	\$ 749,879	\$ 1,168,906	\$ 16,675	\$ 41,859	\$ 107,653	\$ 109,075	\$ 257,344
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 6,916	\$ 5,324	\$ -	\$ -	\$ 140	\$ -	\$ 233,980
Accrued liabilities	13,220	40,697	81	971	-	272	10,294
Total liabilities	20,136	46,021	81	971	140	272	244,274
FUND BALANCES							
Non-spendable							
Prepaid items	4,300	3,470		-		-	
Restricted							
Capital acquisitions and contractual obligations	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Culture and recreation	725,443	-	16,594	-	-	-	-
Public works	-	-	-	-	-	-	-
Public safety	-	1,119,415	-	40,888	107,513	108,803	13,070
Total Fund Balances	729,743	1,122,885	16,594	40,888	107,513	108,803	13,070
Total Liabilities and Fund Balances	\$ 749,879	\$ 1,168,906	\$ 16,675	\$ 41,859	\$ 107,653	\$ 109,075	\$ 257,344

Capital Projects Funds

Park Vista Fund	Street Maintenance Sales Tax Fund	Total Special Revenue Funds	WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Total Capital Projects Funds	Total Non major Governmental Funds
\$ 120	\$ 460,530	\$ 1,583,086	\$ 235,615	\$ 813,240	\$ 2	\$ 813,242	\$ 2,631,943
-	-	927,755	-	-	-	-	927,755
-	131,583	525,013	-	-	-	-	525,013
-	-	7,770	-	-	-	-	7,770
<u>\$ 120</u>	<u>\$ 592,113</u>	<u>\$ 3,043,624</u>	<u>\$ 235,615</u>	<u>\$ 813,240</u>	<u>\$ 2</u>	<u>\$ 813,242</u>	<u>\$ 4,092,481</u>
\$ -	\$ 170,939	\$ 417,299	\$ -	\$ 873	\$ -	\$ 873	\$ 418,172
-	-	65,535	-	-	-	-	65,535
-	170,939	482,834	-	873	-	873	483,707
		-					
		7,770		-	-	-	7,770
-	-	-	-	812,367	2	812,369	812,369
-	-	-	235,615	-	-	-	235,615
120	-	742,157	-	-	-	-	742,157
-	421,174	421,174	-	-	-	-	421,174
-	-	1,389,689	-	-	-	-	1,389,689
<u>120</u>	<u>421,174</u>	<u>2,560,790</u>	<u>235,615</u>	<u>812,367</u>	<u>2</u>	<u>812,369</u>	<u>3,608,774</u>
<u>\$ 120</u>	<u>\$ 592,113</u>	<u>\$ 3,043,624</u>	<u>\$ 235,615</u>	<u>\$ 813,240</u>	<u>\$ 2</u>	<u>\$ 813,242</u>	<u>\$ 4,092,481</u>

CITY OF WATAUGA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2014

	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	Traffic Safety Fund
Revenues							
Taxes	\$ 747,898	\$ 1,482,852	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	658,628
Interest income	444	419	11	32	68	69	-
Miscellaneous	-	1,041	8,249	13,359	19,735	24,405	-
Total revenues	<u>748,342</u>	<u>1,484,312</u>	<u>8,260</u>	<u>13,391</u>	<u>19,803</u>	<u>24,474</u>	<u>658,628</u>
Expenditures							
Current:							
Public safety	-	1,269,031	-	23,722	1,985	10,066	698,591
Culture and recreation	658,687	-	6,230	-	-	-	-
Public works	-	-	-	-	-	-	-
Capital outlay	11,150	21,981	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total Expenditures	<u>669,837</u>	<u>1,291,012</u>	<u>6,230</u>	<u>23,722</u>	<u>1,985</u>	<u>10,066</u>	<u>698,591</u>
Excess (deficiency) of revenues over expenditures	78,505	193,300	2,030	(10,331)	17,818	14,408	(39,963)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(248,300)	(128,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(248,300)</u>	<u>(128,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(169,795)	65,300	2,030	(10,331)	17,818	14,408	(39,963)
Fund balances - beginning	<u>899,538</u>	<u>1,057,585</u>	<u>14,564</u>	<u>51,219</u>	<u>89,695</u>	<u>94,395</u>	<u>53,033</u>
Fund balances - ending	<u>\$ 729,743</u>	<u>\$ 1,122,885</u>	<u>\$ 16,594</u>	<u>\$ 40,888</u>	<u>\$ 107,513</u>	<u>\$ 108,803</u>	<u>\$ 13,070</u>

Capital Projects Funds

Park Vista Fund	Street Maintenance Sales Tax Fund	Total Special Revenue Funds	WPDC Revenue Bond Debt Service Fund	WPDC Construction Fund	Bunker Hill Drainage Fund	Total Capital Projects Funds	Total Non major Governmental Funds
\$ -	\$ 741,410	\$ 2,972,160	\$ -	\$ -	\$ -	\$ -	\$ 2,972,160
-	-	658,628	-	-	-	-	658,628
-	306	1,349	167	618	-	618	2,134
-	-	66,789	-	-	-	-	66,789
-	741,716	3,698,926	167	618	-	618	3,699,711
-	-	2,003,395	-	-	-	-	2,003,395
-	-	664,917	-	-	-	-	664,917
-	71,997	71,997	-	-	-	-	71,997
-	458,833	491,964	-	152,062	-	152,062	644,026
-	-	-	195,000	-	-	-	195,000
-	-	-	18,350	-	-	-	18,350
-	530,830	3,232,273	213,350	152,062	-	152,062	3,597,685
-	210,886	466,653	(213,183)	(151,444)	-	(151,444)	102,026
-	-	-	212,950	-	-	-	212,950
-	-	(376,300)	-	-	-	-	(376,300)
-	-	(376,300)	212,950	-	-	-	(163,350)
-	210,886	90,353	(233)	(151,444)	-	(151,444)	(61,324)
120	210,288	2,470,437	235,848	963,811	2	963,813	3,670,098
\$ 120	\$ 421,174	\$ 2,560,790	\$ 235,615	\$ 812,367	\$ 2	\$ 812,369	\$ 3,608,774

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
WPDC SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 707,000	\$ 707,000	\$ 747,898	\$ 40,898
Investment income	1,500	1,500	444	(1,056)
Total Revenues	<u>708,500</u>	<u>708,500</u>	<u>748,342</u>	<u>39,842</u>
Expenditures				
Current:				
Culture and recreation	726,185	726,185	658,687	67,498
Capital Outlay	<u>6,000</u>	<u>6,000</u>	<u>11,150</u>	<u>(5,150)</u>
Total Expenditures	<u>732,185</u>	<u>732,185</u>	<u>669,837</u>	<u>62,348</u>
Excess (deficiency) of revenues over expenditures	<u>(23,685)</u>	<u>(23,685)</u>	<u>78,505</u>	<u>102,190</u>
Other financing sources (uses)				
Transfers out	<u>(248,300)</u>	<u>(248,300)</u>	<u>(248,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>(248,300)</u>	<u>(248,300)</u>	<u>(248,300)</u>	<u>-</u>
Net change in fund balances	(271,985)	(271,985)	(169,795)	102,190
Fund balances, beginning of year	<u>899,538</u>	<u>899,538</u>	<u>899,538</u>	<u>-</u>
Fund balances, end of year	<u>\$ 627,553</u>	<u>\$ 627,553</u>	<u>\$ 729,743</u>	<u>\$ 102,190</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
WATAUGA CRIME CONTROL AND PREVENTION SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 1,414,000	\$ 1,414,000	\$ 1,482,852	\$ 68,852
Interest income	1,100	1,100	419	(681)
Miscellaneous	-	-	1,041	1,041
Total revenues	<u>1,415,100</u>	<u>1,415,100</u>	<u>1,484,312</u>	<u>69,212</u>
Expenditures				
Current:				
Public safety	1,405,140	1,405,140	1,269,031	136,109
Capital Outlay	35,000	35,000	21,981	13,019
Total expenditures	<u>1,440,140</u>	<u>1,440,140</u>	<u>1,291,012</u>	<u>149,128</u>
Excess (deficiency) of revenues over expenditures	<u>(25,040)</u>	<u>(25,040)</u>	<u>193,300</u>	<u>218,340</u>
Other financing sources (uses)				
Transfers out	(128,000)	(128,000)	(128,000)	-
Total other financing sources (uses)	<u>(128,000)</u>	<u>(128,000)</u>	<u>(128,000)</u>	<u>-</u>
Net change in fund balances	(153,040)	(153,040)	65,300	218,340
Fund balances, beginning of year	<u>1,057,585</u>	<u>1,057,585</u>	<u>1,057,585</u>	<u>-</u>
Fund balances, end of year	<u>\$ 904,545</u>	<u>\$ 904,545</u>	<u>\$ 1,122,885</u>	<u>\$ 218,340</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
LIBRARY DONATION SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Interest income	\$ 40	\$ 40	\$ 11	\$ (29)
Miscellaneous	11,000	11,000	8,249	(2,751)
Total Revenues	<u>11,040</u>	<u>11,040</u>	<u>8,260</u>	<u>(2,780)</u>
Expenditures				
Current:				
Culture and recreation	13,235	13,235	6,230	7,005
Total expenditures	<u>13,235</u>	<u>13,235</u>	<u>6,230</u>	<u>7,005</u>
Net change in fund balances	(2,195)	(2,195)	2,030	4,225
Fund balances, beginning of year	<u>14,564</u>	<u>14,564</u>	<u>14,564</u>	<u>-</u>
Fund balances, end of year	<u>\$ 12,369</u>	<u>\$ 12,369</u>	<u>\$ 16,594</u>	<u>\$ 4,225</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 32	\$ 32
Other	15,500	15,500	13,359	(2,141)
Total Revenues	<u>15,500</u>	<u>15,500</u>	<u>13,391</u>	<u>(2,109)</u>
Expenditures				
Current:				
Public safety	15,450	15,450	23,722	(8,272)
Total Expenditures	<u>15,450</u>	<u>15,450</u>	<u>23,722</u>	<u>(8,272)</u>
Net change in fund balances	50	50	(10,331)	(10,381)
Fund balances, beginning of year	<u>51,219</u>	<u>51,219</u>	<u>51,219</u>	<u>-</u>
Fund balances, end of year	<u>\$ 51,269</u>	<u>\$ 51,269</u>	<u>\$ 40,888</u>	<u>\$ (10,381)</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Interest income	\$ 150	\$ 150	\$ 68	\$ (82)
Miscellaneous	20,900	20,900	19,735	(1,165)
Total revenues	<u>21,050</u>	<u>21,050</u>	<u>19,803</u>	<u>(1,247)</u>
Expenditures				
Current:				
Public safety	5,000	5,000	1,985	3,015
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>1,985</u>	<u>3,015</u>
Net change in fund balances	16,050	16,050	17,818	1,768
Fund balances, beginning of year	<u>89,695</u>	<u>89,695</u>	<u>89,695</u>	<u>-</u>
Fund balances, end of year	<u>\$ 105,745</u>	<u>\$ 105,745</u>	<u>\$ 107,513</u>	<u>\$ 1,768</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL COURT JUVENILE CASE MANAGER SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 69	\$ (31)
Other	26,500	26,500	24,405	(2,095)
Total Revenues	<u>26,600</u>	<u>26,600</u>	<u>24,474</u>	<u>(2,126)</u>
Expenditures				
Current:				
Public safety	16,350	16,350	10,066	6,284
Total expenditures	<u>16,350</u>	<u>16,350</u>	<u>10,066</u>	<u>6,284</u>
Net change in fund balances	10,250	10,250	14,408	4,158
Fund balances, beginning of year	<u>94,395</u>	<u>94,395</u>	<u>94,395</u>	<u>-</u>
Fund balances at year end	<u><u>\$ 104,645</u></u>	<u><u>\$ 104,645</u></u>	<u><u>\$ 108,803</u></u>	<u><u>\$ 4,158</u></u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
STREET MAINTENANCE SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Sales taxes	\$ 707,000	\$ 707,000	\$ 741,410	\$ 34,410
Investment earnings	-	-	306	306
Total revenues	<u>707,000</u>	<u>707,000</u>	<u>741,716</u>	<u>34,716</u>
Expenditures				
Public works	100,000	100,000	71,997	28,003
Capital outlay	500,000	500,000	458,833	41,167
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>530,830</u>	<u>69,170</u>
Net change in fund balance	<u>107,000</u>	<u>107,000</u>	<u>210,886</u>	<u>103,886</u>
Fund balances, beginning of year	<u>210,288</u>	<u>210,288</u>	<u>210,288</u>	<u>-</u>
Fund balances at year end	<u>\$ 317,288</u>	<u>\$ 317,288</u>	<u>\$ 421,174</u>	<u>\$ 103,886</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Fines and forfeits	\$ 800,000	\$ 800,000	\$ 658,628	\$ (141,372)
Total Revenues	<u>800,000</u>	<u>800,000</u>	<u>658,628</u>	<u>(141,372)</u>
Expenditures				
Current:				
Public safety	<u>787,160</u>	<u>787,160</u>	<u>698,591</u>	<u>88,569</u>
Total expenditures	<u>787,160</u>	<u>787,160</u>	<u>698,591</u>	<u>88,569</u>
Excess (deficiency) of revenues over expenditures	<u>12,840</u>	<u>12,840</u>	<u>(39,963)</u>	<u>(52,803)</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,840	12,840	(39,963)	(52,803)
Fund balances, beginning of year	<u>53,033</u>	<u>53,033</u>	<u>53,033</u>	<u>-</u>
Fund balances at year end	<u>\$ 65,873</u>	<u>\$ 65,873</u>	<u>\$ 13,070</u>	<u>\$ (52,803)</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL OBLIGATION DEBT SERVICE FUND
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes				
Property taxes	\$ 1,615,567	\$ 1,615,567	\$ 1,727,224	\$ 111,657
Penalties and interest	12,000	12,000	9,968	(2,032)
Interest income	800	800	361	(439)
Total revenues	<u>1,628,367</u>	<u>1,628,367</u>	<u>1,737,553</u>	<u>109,186</u>
Expenditures				
Debt service				
Principal	1,315,000	1,315,000	1,340,000	(25,000)
Interest	388,367	388,367	345,817	42,550
Total expenditures	<u>1,703,367</u>	<u>1,703,367</u>	<u>1,685,817</u>	<u>17,550</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>51,736</u>	<u>91,636</u>
Other financing sources (uses)				
General obligation refunding bonds issued	-	-	4,247	(4,247)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,247</u>	<u>4,247</u>
Net change in fund balances	(75,000)	(75,000)	55,983	130,983
Fund balances, beginning of year	<u>249,239</u>	<u>249,239</u>	<u>249,239</u>	<u>-</u>
Fund balances at year end	<u>\$ 174,239</u>	<u>\$ 174,239</u>	<u>\$ 305,222</u>	<u>\$ 130,983</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
WPDC REVENUE BOND DEBT SERVICE FUND
Year Ended September 30, 2014

	Budget Amounts		Actual Amounts	Variance Positive / (Negative)
	Original Budget	Final Budget		
Revenues				
Interest income	\$ 470	\$ 470	\$ 167	\$ (303)
Total revenues	<u>470</u>	<u>470</u>	<u>167</u>	<u>(303)</u>
Expenditures				
Debt service				
Principal	195,000	195,000	195,000	-
Interest	18,450	18,450	18,350	100
Total expenditures	<u>213,450</u>	<u>213,450</u>	<u>213,350</u>	<u>100</u>
Excess (deficiency) of revenues over expenditures	<u>(212,980)</u>	<u>(212,980)</u>	<u>(213,183)</u>	<u>(203)</u>
Other financing sources (uses)				
Transfers in	212,950	212,950	212,950	-
Total other financing sources (uses)	<u>212,950</u>	<u>212,950</u>	<u>212,950</u>	<u>-</u>
Net change in fund balances	(30)	(30)	(233)	(203)
Fund balances, beginning of year	<u>235,848</u>	<u>235,848</u>	<u>235,848</u>	<u>-</u>
Fund balances at year end	<u>\$ 235,818</u>	<u>\$ 235,818</u>	<u>\$ 235,615</u>	<u>\$ (203)</u>

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**STATISTICAL SECTION
(Unaudited)**

STATISTICAL SECTION

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

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

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

Table 1

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

	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 26,538,475	\$ 27,094,685	\$ 28,537,817	\$ 31,150,229	\$ 30,732,214	\$ 32,581,629	\$ 32,223,143	\$ 34,487,229	\$ 36,189,453	\$ 36,422,084
Restricted	356,918	60,039	367,219	482,624	580,384	489,133	714,041	439,660	478,895	534,026
Unrestricted	5,547,137	6,968,326	7,951,823	7,027,793	8,390,973	8,145,817	9,500,712	7,569,861	6,506,337	6,995,208
Total governmental activities net position	\$ 32,442,530	\$ 34,113,050	\$ 36,856,859	\$ 38,660,646	\$ 39,703,571	\$ 41,216,579	\$ 42,237,896	\$ 42,496,750	\$ 43,174,685	\$ 43,951,318
Business-type activities										
Net investment in capital assets	\$ 13,983,521	\$ 14,432,918	\$ 15,225,107	\$ 15,606,285	\$ 16,389,484	\$ 17,035,479	\$ 13,630,412	\$ 19,182,389	\$ 19,337,856	\$ 20,531,108
Restricted	179,219	32,120	204,791	487,762	32,326	36,788	38,565	58,469	71,731	87,591
Unrestricted	4,383,995	5,239,749	5,018,055	4,702,911	5,072,785	4,383,221	8,059,411	4,053,800	5,337,852	5,506,717
Total business-type activities net position	\$ 18,546,735	\$ 19,704,787	\$ 20,447,953	\$ 20,796,958	\$ 21,494,575	\$ 21,455,488	\$ 21,728,388	\$ 23,294,658	\$ 24,747,439	\$ 26,125,416
Primary government										
Net investment in capital assets	\$ 40,521,996	\$ 41,527,603	\$ 43,762,924	\$ 46,756,514	\$ 47,121,698	\$ 49,617,108	\$ 45,853,555	\$ 53,669,618	\$ 55,527,309	\$ 56,953,192
Restricted	536,137	92,159	572,010	970,386	612,710	525,921	752,606	498,129	550,626	621,617
Unrestricted	9,931,132	12,198,075	12,969,878	11,730,704	13,463,738	12,529,038	17,360,123	11,623,661	11,844,189	12,501,925
Total primary government net position	\$ 50,989,265	\$ 53,817,837	\$ 57,304,812	\$ 59,457,604	\$ 61,198,146	\$ 62,672,067	\$ 63,966,284	\$ 65,791,408	\$ 67,922,124	\$ 70,076,734

Source: Comprehensive Annual Financial Reports

(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.

Table 2

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

	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 3,758,792	\$ 3,881,053	\$ 4,564,852	\$ 4,764,459	\$ 4,821,004	\$ 5,051,415	\$ 5,631,743	\$ 6,334,463	\$ 5,965,810	\$ 5,946,991
Public Safety	3,463,332	3,528,716	4,203,329	4,168,608	4,209,793	4,431,774	4,754,148	4,678,418	5,135,677	5,121,732
Public Works	2,029,473	1,742,205	1,217,456	1,945,380	1,993,867	2,136,811	2,008,511	1,771,771	1,473,221	1,980,003
Capital Outlay	222,128	479,000	-	-	-	-	-	-	-	-
Parks and recreation	1,818,489	2,111,428	2,111,068	2,224,257	2,108,473	1,648,292	2,372,064	2,467,403	2,372,941	2,411,179
Interest on long-term debt	492,404	690,563	675,444	661,324	679,483	560,285	471,940	755,827	496,694	364,167
Total governmental activities expenses	11,784,618	12,432,965	12,772,149	13,764,028	13,812,620	13,828,577	15,238,406	16,007,882	15,444,343	15,824,072
Business-type activities:										
Water and Sewer	5,700,693	5,932,341	5,478,534	6,127,753	5,886,812	6,260,844	6,199,136	6,458,485	6,502,520	6,416,253
Drainage Utility	898,037	848,280	923,988	877,922	901,079	843,690	914,987	1,080,620	1,152,248	1,087,378
Total business-type activities expenses	6,598,730	6,780,621	6,402,522	7,005,675	6,787,891	7,104,534	7,114,123	7,539,105	7,654,768	7,503,631
Total primary government expenses	\$ 18,383,348	\$ 19,213,586	\$ 19,174,671	\$ 20,769,703	\$ 20,600,511	\$ 20,933,111	\$ 22,352,529	\$ 23,546,987	\$ 23,099,111	\$ 23,327,703
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for services:										
General Government	\$ 1,326	\$ 11,176	\$ 84,299	\$ 87,993	\$ 102,044	\$ 212,514	\$ 320,960	\$ 90,425	\$ 133,938	\$ 125,385
Public Safety	742,999	771,245	1,321,651	1,188,612	1,323,097	1,330,535	1,772,981	1,994,440	1,660,967	1,852,051
Public Works	153,211	344,133	436,199	438,719	434,925	214,136	244,236	456,805	430,403	489,628
Parks and recreation	372,322	234,083	247,893	214,755	220,824	390,920	442,579	233,136	254,023	273,498
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	97,160	110,066	105,464	68,346	64,747	62,761	20,646	16,909	20,088	16,438
Capital grants and contributions	-	-	-	-	-	161,482	168,941	-	209,350	-
Total governmental activities program revenues	1,367,018	1,470,703	2,195,506	1,998,425	2,145,637	2,372,348	2,970,343	2,791,715	2,708,769	2,757,000
Business-type activities:										
Charges for services:										
Water and Sewer	6,921,672	7,159,786	6,499,187	6,827,535	6,710,552	6,683,362	7,040,653	8,221,767	8,159,949	7,894,765
Drainage Utility	693,076	693,043	693,611	696,073	698,711	700,295	702,665	1,296,024	1,413,708	1,416,053
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	16
Total business-type activities program revenues	7,614,748	7,852,829	7,192,798	7,523,608	7,409,263	7,383,657	7,743,318	9,517,791	9,573,657	9,310,834
Total primary government program revenues	\$ 8,981,766	\$ 9,323,532	\$ 9,388,304	\$ 9,522,033	\$ 9,554,900	\$ 9,756,005	\$ 10,713,661	\$ 12,309,506	\$ 12,282,426	\$ 12,067,834

Table 2
(continued)

CITY OF WATAUGA
CHANGES IN NET POSITION, LAST TENTHSCAL YEARS

(accrual basis of accounting)
(Unaudited)

	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (10,417,600)	\$ (10,962,262)	\$ (10,576,643)	\$ (11,765,603)	\$ (11,666,983)	\$ (11,466,229)	\$ (12,288,063)	\$ (13,216,167)	\$ (12,735,574)	\$ (13,067,072)
Business-type activities	1,016,018	1,072,208	790,276	517,933	621,372	279,123	629,195	1,978,686	1,918,889	1,807,203
Total primary government net expense	\$ (9,401,582)	\$ (9,890,054)	\$ (9,786,367)	\$ (11,247,670)	\$ (11,045,611)	\$ (11,177,106)	\$ (11,658,868)	\$ (11,237,481)	\$ (10,816,685)	\$ (11,259,869)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 5,465,585	\$ 5,712,275	\$ 5,747,974	\$ 6,070,750	\$ 5,999,752	\$ 5,947,914	\$ 5,627,282	\$ 5,689,606	\$ 5,627,201	\$ 5,677,248
Franchise taxes	941,827	964,868	940,273	954,692	1,033,043	1,039,844	1,216,628	1,090,651	1,065,054	1,125,164
Sales taxes	4,447,182	4,756,612	5,017,072	5,209,951	4,951,896	5,144,963	5,626,261	5,685,949	5,675,542	6,008,050
Penalties and Interest	45,605	49,306	46,461	57,424	44,683	44,805	40,246	39,239	33,006	32,724
Payments in lieu of taxes	350,780	353,623	357,899	370,387	371,890	360,928	370,075	460,537	471,721	469,219
Investment earnings	307,461	623,908	817,791	568,060	280,729	69,855	38,733	32,675	25,392	10,763
Gain on Sale of Assets	336,857	-	-	-	(6,747)	-	-	-	-	-
Miscellaneous	87,549	23,078	-	-	-	-	-	15,828	43,872	51,317
Transfers	192,640	149,112	357,899	370,388	34,662	360,928	370,155	460,537	471,721	469,219
Total governmental activities	12,175,486	12,632,782	13,285,369	13,601,652	12,709,908	12,969,237	13,289,380	13,475,022	13,413,509	13,843,704
Business-type activities:										
Investment earnings	114,452	234,956	310,789	201,460	110,910	24,115	13,860	8,256	5,613	3,384
Miscellaneous revenue	-	-	-	-	-	-	-	39,865	0	36,608
Transfers	(192,640)	(149,112)	(357,899)	(370,388)	(34,662)	(360,928)	(370,155)	(460,537)	(471,721)	(469,219)
Total business-type activities	(78,188)	85,844	(47,110)	(168,928)	76,248	(336,813)	(356,295)	(452,281)	(466,108)	(429,227)
Total primary government	\$ 12,097,298	\$ 12,718,626	\$ 13,238,259	\$ 13,432,724	\$ 12,786,156	\$ 12,632,424	\$ 12,933,085	\$ 13,022,741	\$ 12,947,401	\$ 13,414,477
Change in Net Position										
Governmental activities	\$ 1,757,886	\$ 1,670,520	\$ 2,708,726	\$ 1,836,049	\$ 1,042,925	\$ 1,513,008	\$ 1,021,317	\$ 258,855	\$ 677,935	\$ 776,632
Business-type activities	937,830	1,158,052	743,166	349,005	697,620	(57,690)	272,900	1,526,405	1,452,781	1,377,976
Total primary government	\$ 2,695,716	\$ 2,828,572	\$ 3,451,892	\$ 2,185,054	\$ 1,740,545	\$ 1,455,318	\$ 1,294,217	\$ 1,785,260	\$ 2,130,716	\$ 2,154,608

Source: Comprehensive Annual Financial Reports

(1) 2011 and prior have not been restated for GASB 65 regarding expensing of bond issuance costs.

Table 3

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

	2005	2006	2007	2007	2009	2010	2011**	2012	2013	2014
General Fund										
Non-spendable										
Inventories										
Prepaid										
Assigned										
Other purposes										
Unassigned										
Total general fund**										
Reserved*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,870	\$ -	\$ -	\$ -	\$ -
Unreserved	4,004,242	5,258,923	6,025,394	6,025,394	6,690,658	6,339,861	-	-	-	-
Total general fund	\$ 4,004,242	\$ 5,258,923	\$ 6,025,394	\$ 6,025,394	\$ 6,690,658	\$ 6,367,731	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds										
Non-spendable										
Prepaid items										
Restricted										
Capital acquisitions and contractual obligations										
Debt service										
Culture and recreation										
Public Works										
Public Safety										
Total all other governmental funds										
Reserved	\$ 341,661	\$ 323,753	\$ 453,327	\$ 453,327	\$ 684,739	\$ 574,998	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,827,676	1,826,624	2,210,412	2,210,412	2,627,994	2,922,789	-	-	-	-
Capital projects funds	8,319,883	5,522,062	8,625,216	8,625,216	3,862,015	4,006,543	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 10,489,220	\$ 7,672,439	\$ 11,288,955	\$ 11,288,955	\$ 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)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 10,889,663	\$ 11,515,408	\$ 11,749,979	\$ 12,143,072	\$ 12,014,774	\$ 12,189,384	\$ 12,523,295	\$ 12,464,130	\$ 12,407,885	\$ 12,822,665
Licenses, fees and permits	244,599	210,283	264,952	268,657	257,159	218,013	262,778	270,716	250,579	309,592
Fines and penalties	524,105	505,965	542,368	609,945	646,535	699,238	680,564	664,507	625,613	777,747
Charges for services	440,154	463,487	546,759	709,477	701,608	884,038	1,439,291	1,593,653	1,351,756	1,396,063
Special assessments	-	-	-	-	-	-	-	-	-	-
Intergovernmental	414,394	399,137	357,899	370,387	371,890	360,928	370,075	460,537	471,721	469,219
Investment earnings	307,481	623,911	817,789	568,060	280,729	69,855	37,640	32,208	24,871	10,252
Other revenues	259,291	250,326	360,742	278,511	292,247	544,859	648,553	262,839	511,617	306,504
Total revenues	<u>13,079,667</u>	<u>13,968,517</u>	<u>14,640,488</u>	<u>14,948,109</u>	<u>14,564,942</u>	<u>14,966,315</u>	<u>15,962,196</u>	<u>15,748,590</u>	<u>15,644,042</u>	<u>16,092,042</u>
Expenditures										
General government	3,837,616	3,775,994	4,237,148	4,509,573	4,606,396	4,822,147	5,529,085	5,864,502	5,420,278	5,377,270
Public Safety	3,311,905	3,370,740	3,660,257	3,828,676	3,949,284	4,096,391	4,478,774	4,889,939	4,684,746	4,964,649
Public Works	684,929	661,803	642,947	721,456	744,743	741,395	776,906	876,295	910,769	889,230
Parks and recreation	1,731,225	1,978,147	1,894,061	2,068,439	1,977,466	1,986,185	2,080,067	2,189,744	2,092,790	2,029,768

Table 4
(continued)

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

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital outlay	\$ 3,475,214	\$ 2,955,483	\$ 2,352,243	\$ 4,296,632	\$ 2,753,788	\$ 1,594,427	\$ 3,935,880	\$ 4,154,050	\$ 2,414,949	\$ 1,231,682
Debt service										
Interest	589,390	627,935	568,442	608,920	608,335	550,788	591,733	558,491	529,045	484,055
Principal	1,500,000	1,475,000	1,530,000	1,385,000	1,477,349	1,529,255	1,540,000	2,066,378	1,515,502	1,587,774
Total expenditures	15,130,279	14,845,102	14,885,098	17,418,696	16,117,361	15,320,588	18,932,445	20,599,399	17,568,079	16,564,428
Excess of revenues over (under) expenditures	(2,050,612)	(876,585)	(244,610)	(2,470,587)	(1,552,419)	(354,273)	(2,970,249)	(4,850,809)	(1,924,037)	(472,386)
Other Financing Sources (Uses)										
Proceeds from borrowing	5,000,000	-	3,584,999	-	-	-	5,284,887	-	-	3,594,057
Proceeds from refunding	-	-	2,670,000	-	-	-	1,020,000	-	2,145,000	-
Payments to escrow agent	-	-	(2,774,214)	-	-	-	(1,002,832)	-	(2,099,293)	-
Bond Issuance Costs	(54,808)	-	(45,718)	-	-	-	-	-	-	-
Sale of Asset	431,858	-	-	-	-	-	47,931	15,828	13,076	222,531
Transfers in	3,662,962	1,481,441	1,823,540	2,449,405	664,172	2,375,290	1,135,495	2,003,017	1,870,557	845,519
Transfers out	(3,470,322)	(1,332,329)	(1,465,641)	(2,079,017)	(629,510)	(2,014,362)	(765,340)	(1,542,480)	(1,398,836)	(576,300)
Total other financing sources (uses)	5,569,690	149,112	3,792,966	370,388	34,662	360,928	5,720,141	476,365	530,504	4,085,807
Net change in fund balances	\$ 3,519,078	\$ (727,473)	\$ 3,548,356	\$ (2,100,199)	\$ (1,517,757)	\$ 6,655	\$ 2,749,892	\$ (4,374,444)	\$ (1,393,533)	\$ 3,613,421
Debt service as a percentage of noncapital expenditures	17.9%	17.7%	16.7%	15.2%	15.6%	15.2%	14.2%	16.0%	13.5%	13.5%

Source: Comprehensive Annual Financial Reports

Table 5

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

Fiscal Year	Estimated Market Value			Total Market Value	Less:		Total Taxable Assessed Value ^a	Total Direct Tax Rate
	Real Property	Personal Property	Property		Tax-Exempt Property	Property		
2005	\$ 954,897,286	\$ 59,403,846	\$ 1,014,301,132	\$ 1,014,301,132	\$ 74,176,118	\$ 940,125,014	0.580763	
2006	1,000,642,257	60,878,118	1,061,520,375	1,061,520,375	75,871,741	985,648,634	0.580763	
2007	1,022,670,335	61,743,271	1,084,413,606	1,084,413,606	84,469,429	999,944,177	0.580763	
2008	1,040,261,804	62,689,353	1,102,951,157	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	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	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	1,067,317,181	95,532,598	971,784,583	0.580763	
2012	999,533,945	62,820,983	1,062,354,928	1,062,354,928	98,182,457	964,172,471	0.589001	
2013	1,000,809,690	59,216,606	1,060,026,296	1,060,026,296	100,655,583	959,370,713	0.591216	
2014	1,000,519,629	59,016,802	1,059,536,431	1,059,536,431	103,068,099	956,468,332	0.591216	

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)*

Fiscal Year	City Direct Rates				Overlapping Rates ^a						
	M&O Rate	General Obligation Debt		Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County Hospital	Tarrant County College	Combined Rates		
		Service	Debt						KISD	BISD	
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	
2012	0.412374	0.176627	0.589001	1.540000	1.435000	0.264000	0.227897	0.148970	2.769868	2.664868	
2013	0.412107	0.179109	0.591216	1.540000	1.435000	0.264000	0.227897	0.148970	2.772083	2.667083	
2014	0.410519	0.180697	0.591216	1.540000	1.435000	0.264000	0.227897	0.149500	2.772613	2.667613	

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.

Table 7

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

	2014			2005			
	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	\$ 31,436,219	1	3.29%	Inland Western Watauga Lp	\$ 37,677,020	1	4.01%
Watauga Towne Crossing LLC	24,219,560	2	2.53%	Watauga 377 LLC	19,013,971	2	2.02%
Dayton Hudson Corp.	10,140,000	3	1.06%	Southwestern Bell	1,465,336	3	0.16%
Sci Watauga Town Ctr Fund Etal	9,660,000	4	1.01%	Weingarten Realty Investors	10,030,395	4	1.07%
Park Vista Townhomes Etal	8,800,000	5	0.92%	Albertsons Inc.	4,864,473	5	0.52%
Oncor Electric Delivery Co Lic	658,845	7	0.07%	Dayton Hudson Corp	9,157,811	6	0.97%
Southwestern Bell	1,145,300	6	0.12%	TXU Electric Delivery Co.	527,076	7	0.06%
Watauga All Storage Ltd	5,335,764	8	0.56%	Park Vista Townhomes Etal	7,126,780	8	0.76%
Watauga Assoc	4,374,452	9	0.46%	Marketplace Partners Ltd.	5,945,184	9	0.63%
Target Stores	4,252,171	10	0.44%	Pierson-Watauga Ltd.	4,270,499	10	0.45%
Total	\$ 100,022,311		10.46%		\$ 100,078,545		10.65%

Source: Tarrant Central Appraisal District

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

NOTE:

- a) Total taxable value including real and personal property for tax year 2014 (FY 2013-14) is \$956,468,332
- b) Total taxable value including real and personal property for tax year 2005 (FY 2004-2005) is \$940,125,014

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
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%	23,596	5,702,054	99.86%
2007	5,792,266	(11,019)	5,781,247	5,710,143	98.77%	61,312	5,771,455	99.83%
2008	5,909,897	(26,768)	5,883,129	5,846,868	99.38%	24,898	5,871,766	99.35%
2009	6,022,386	(17,925)	6,004,461	5,951,703	99.12%	39,074	5,990,777	99.48%
2010	5,974,330	(2,486)	5,971,844	5,914,614	99.04%	41,577	5,956,191	99.70%
2011	5,644,747	(1,251)	5,643,496	5,590,780	99.07%	30,487	5,621,267	99.61%
2012	5,655,637	(3,438)	5,652,199	5,602,319	99.12%	24,630	5,602,319	99.12%
2013	5,644,682	(6,692)	5,637,990	5,596,849	99.27%	18,983	5,596,849	99.27%
2014	5,684,546		5,684,546	5,622,210	98.90%	n/a	5,622,210	98.90%

Sources: Tarrant County Tax Office and Tarrant Appraisal District

Table 9

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

Fiscal Year	*No of Customers	**Gallons Billed	***Water Revenue
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
2012	8,169	696,350,699	4,526,971
2013	8,160	684,273,847	4,439,701
2014	8,196	672,400,560	4,342,748

*Source: Table 16 - # of Water Consumers

**Source: Monthly E-mail sent by D. Defriese, Utility Billing Supervisor

***Source: Comparative Summary of Monthly Water Billings

Table 10

CITY OF WATAUGA
Principal Water Customers
As of September 30, 2014
(Unaudited)

Customer Name	Gallons		Dollars		Total
	Consumed (000)	Total	Billed	Total	
Western Rim Properties	19,693	2.93%	\$ 75,056	1.73%	
Daybreak Venture	9,188	1.37%	55,696	1.28%	
Denton Hwy Laundromat	2,696	0.40%	16,466	0.38%	
Kwik Kar Wash	2,190	0.33%	17,559	0.40%	
Milan Jariwala	2,011	0.30%	12,327	0.28%	
TPCMW, INC.	1,847	0.27%	11,340	0.26%	
Pei Wei Asian Diner	1,645	0.24%	11,201	0.26%	
Watauga 377, LLC	1,535	0.23%	10,636	0.24%	
F & P Properties	1,376	0.20%	9,456	0.22%	
EIDO Properties, LLC	1,332	0.20%	9,728	0.22%	
Top Ten Total	43,513	6.47%	\$ 229,465	5.28%	
City Total	672,401		\$ 4,342,748		

Table 11

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

Fiscal Year	Governmental Activities				Water and Sewer Revenue Bonds				Business-Type Activities				Total Primary Government	Percentage of Personal Income ^b	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Unamortized Bond Premium	Other Obligations	Water and Sewer Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium			
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	111,599	20,078,476	3.39%	828			
2011	3,560,000	10,440,000	985,000	79,988	767,230	-	5,800,000	2,780,000	141,809	24,412,218	4.12%	1,039			
2012	3,190,000	9,895,000	800,000	74,400	718,903	-	4,740,000	10,380,000	519,658	29,798,303	5.61%	1,229			
2013	4,950,000	6,940,000	610,000	68,826	668,400	-	3,630,000	9,950,000	477,594	26,817,226	5.07%	1,141			
2014	4,430,000	9,620,000	415,000	156,516	615,629	-	2,480,000	9,505,000	435,530	27,222,145	5.01%	1,167			

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	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Actual Taxable Value ^a of Property		Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	General Obligation Bonds	Certificates of Obligation	Unamortized Bond Premium	Total	Percentage of Actual Taxable Value ^a of Property		Per Capita ^b		
											General Obligation Bonds	
2005	\$ 7,165,000	\$ 7,010,000	\$ -	\$ 7,025,000	\$ 2,335,000	\$ -	\$ 23,535,000	2.50%	983			
2006	5,995,000	6,630,000	-	6,985,000	1,615,000	-	21,225,000	2.15%	881			
2007	5,340,000	9,505,000	-	6,940,000	860,000	-	22,645,000	2.26%	938			
2008	4,860,000	8,765,000	-	8,730,000	660,000	-	23,015,000	2.26%	949			
2009	4,365,000	7,260,000	-	7,790,000	450,000	-	19,865,000	1.93%	816			
2010	3,965,000	7,090,000	-	6,815,000	230,000	111,599	18,211,599	1.81%	751			
2011	3,560,000	10,440,000	79,988	5,800,000	2,780,000	141,809	22,801,797	2.35%	970			
2012	3,190,000	9,895,000	74,400	4,740,000	10,380,000	519,658	28,799,058	2.99%	1,226			
2013	4,950,000	6,940,000	68,826	3,630,000	9,950,000	477,594	26,016,420	2.71%	1,115			
2014	4,430,000	9,620,000	156,516	2,480,000	9,505,000	435,530	26,627,046	2.78%	1,133			

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, 2014
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Keller Independent School District	\$ 654,308,399	3.25%	\$ 21,265,023
Birdville Independent School District	188,860,198	7.57%	14,296,717
Tarrant County	317,820,000	0.75%	2,383,650
Tarrant County College	7,935,000	0.75%	59,513
Tarrant County Hospital County	24,425,000	0.75%	183,188
Subtotal, overlapping debt			38,188,090
City direct debt			<u>14,506,516</u>
Total direct and overlapping debt			<u>\$ 52,694,606</u>

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)

Fiscal Year	Water and Sewer Revenue Bonds					PDC Sales Tax Revenue Bonds ^c					
	Total Revenues ^a	Operating Expenses ^b	Net Available Revenue		Coverage	Total Revenues ^a	Operating Expenses	Net Available Revenue		Debt Service Coverage	
			Principal	Interest				Principal	Interest		
2005	\$ 7,026,001	\$ 4,822,040	\$ 2,203,961	\$ 210,000	\$ 145,340	\$ 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	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	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	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	-	-	-	-	-	1,314,130	632,039	682,091	175,000	40,461	3.17
2011	-	-	-	-	-	1,409,944	763,885	646,059	180,000	35,355	3.00
2012	-	-	-	-	-	1,418,979	756,666	662,313	185,000	29,880	3.08
2013 ^e	-	-	-	-	-	708,356	702,898	5,458	190,000	24,136	0.03
2014	-	-	-	-	-	748,342	697,423	50,919	195,000	17,950	0.24

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 Revenue Bonds.

^e In May, 2012, voters approved a reallocation of 1/4 cent sales tax to the Street Maintenance Fund for a period of 4 years, effective October 1, 2012.

The fund balance in the PDC operating fund is sufficient to pay off the remainder of the bond.

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)
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	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%
2012	23,497	529,387	22,530	32.9	4,852	7.9%
2013	23,331	543,776	23,307	34.5	4,933	7.0%
2014	23,510	536,240	22,809	33.5	4,755	5.8%

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 Capita 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 2010 Census, U.S. Census Bureau American Fact Finder (5) School Enrollment provided by Birdville and Keller Independent School Districts (6) Unemployment Rates from Texas Workforce Commission

Table 16

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

<u>Employer</u>	2014			2005		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment(2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>
Target	208	1	3.66%			
Birdville ISD	211	2	3.72%			
City of Watauga	199	3	3.51%			
Albertson's	190	4	3.35%			
Harvest Baptist	115	6	2.03%	Not Available		
North Pointe Health & Rehab	95	5	1.67%			
Fresco's	75	7	1.32%			
Keller ISD	61	8	1.07%			
Cotton Patch Café	57	9	1.00%			
Chili's Grill & Bar	46	10	0.81%			
Total	1,257		22.15%	-		0.00%

Source:

- (1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification annually
- (2) For 2014, used NCTCOG estimates of 5925 obtained from the Bureau of Economic Analysis and U.S. Census Bureau, analyzed by NCTCOG.

Table 17

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government and Administration	30.58	30.75	28.75	29.75	30.00	30.00	30.50	31.50	30.25	31.25
Public Safety										
Police Division	50.25	50.25	54.25	58.75	58.75	58.75	59.25	59.25	51.75	49.75
Fire/EMS Division	15.00	16.50	21.50	22.00	22.00	22.00	22.00	22.00	21.25	21.00
Culture and Recreational	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.25	9.25
Library	12.25	12.75	12.75	13.25	13.25	13.25	13.25	13.25	13.00	13.00
Water/Sewer/Drainage	33.50	33.75	33.75	33.75	33.75	33.75	34.25	34.25	36.00	36.00
Fleet Services	2.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Building	5.00	6.00	6.00	7.00	8.00	8.00	8.00	8.00	8.00	7.00
Parks Development	10.50	10.50	10.50	11.50	11.50	11.50	11.50	11.50	12.00	12.00
Total	169.58	174.00	181.00	190.50	191.75	191.75	193.25	194.25	185.50	182.25

Source: City Budget Office.

Table 18

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Calls for Service	22,422	23,215	23,591	11,726	13,532	16,804	13,560	10,976	9,993	8,127
Municipal Citations Issued	8,294	9,656	10,468	15,115	8,792	11,963	17,122	17,074	13,576	8,650
Fire/EMS										
EMS Calls	1,018	1,110	1,202	1,375	966	1,082	836	1,043	1,011	675
EMS Average Response Time (min)	3.54	3.76	3.97	4.00	3.31	3.50	3.50	3.40	3.50	3.20
Ambulance Transports	710	753	806	1,030	743	870	698	848	845	846
Fire Calls	401	416	431	430	652	690	557	392	693	675
Fire Average Response Time (min)	3.75	4.25	4.10	4.00	3.58	2.58	4.70	4.80	4.60	4.80
Fire Inspections	55	60	65	75	198	269	106	136	181	460
Public Works										
Lane Miles Maintained	84	84	84	84	84	88	88	88	88	88
Miles of Curb and gutter maintained	168	168	168	168	168	168	168	176	176	176
Parks and recreation										
Park Acres Maintained	116	116	116	116	116	119	119	119	119	119
Athletic Fields Maintained	5	8	8	13	13	8	10	10	10	10
Community Center Memberships	1,600	1,800	2,300	2,800	1,267	1,372	1,237	1,320	1,272	1,271
Program/Class/League Attendance	31,982	87,351	40,741	77,000	56,430	40,938	65,282	91,244	41,775	71,542
Library										
Number of Programs Offered	350	437	355	380	655	693	842	853	1,086	1,155
Number of School Visits	15	11	8	8	18	8	13	36	57	63
Number of Books in Collection	49,866	52,415	58,147	62,131	62,150	65,517	67,614	65,289	73,592	78,990
Number of Media in Collection	8,472	15,013	12,037	14,007	15,247	16,389	17,199	16,700	18,806	20,806
Electronic Format Materials	6	13	58	58	85	53	53	54	52	55
Ebooks & Audiobooks	-	-	-	-	-	-	-	11,674.00	13,524	12,632
Water and Sewer										
Number of Water Consumers	8,055	8,202	8,133	8,195	8,181	8,162	8,199	8,169	8,200	8,196
Average daily consumption (mil gal)	2	3	2	2	2	2	2	2	2.3	2.1
Amnt of sewer line inspected (Linear Ft)	15,000	5,136	10,000	10,000	10,000	3,500	3,800	6,000	8,000	21,500

Sources: Various city departments.
Note: Indicators are not available for the general government function.

Table 19

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	12	12	12	12	11	12	12	12
Animal Control Facility	-	-	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	84.0	85.0	85.0	85.0	85.0	85.0	88.0	88.0	88.0	88.0
Streetlights	703	703	703	703	703	703	703	703	703	703
Traffic signals	11	11	11	11	11	11	11	11	12	12
Parks and recreation										
Acreage (Developed & Undeveloped) ^a	124	124	124	124	124	124	124	124	124	124
Parks	10	10	10	10	10	10	10	10	10	10
Athletic Fields	5	8	8	8	8	8	10	10	10	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	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	88.0
Fire hydrants	N/A	620	620	620	620	620	620	620	620	650
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	85	85	85	85	85	85	85	85	85

Sources: Various city departments.

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