



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDING SEPTEMBER 30, 2015

CITY OF WATAUGA, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
September 30, 2015**

PREPARED BY

THE CITY OF WATAUGA

FINANCE DEPARTMENT

CITY OF WATAUGA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2015

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INTRODUCTORY SECTION



February 15, 2016

**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, 2015. 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, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was a reasonable basis for rendering an unqualified

opinion that the City of Watauga's financial statements for the fiscal year ended September 30, 2015 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, 2015. 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, 2015. 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 and expires in 2016 unless reauthorized by voters. Voters must reauthorize the street maintenance sales tax every four years in order for it to continue.

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, 2015, 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 street maintenance of existing streets, a ¼ cent sales tax for parks, 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 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 and 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. Due to an amendment in the home rule charter in 1996, the term of office was changed from two-year terms to three-year terms. However, terms were changed back to two-year terms in 2005 by another amendment. The Governing Body is responsible for adopting ordinances and regulations governing the City, adopting the budget, determining policies, and appointing the City Manager, City Attorney, Municipal Court Judge, 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 6.9 million people, making it the largest metropolitan area in the South and the fourth-largest in the United States. This area has experienced population growth of 8.2% since 2010. 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 41st anniversary in 2015, covers approximately twenty-seven square miles and represents one of the largest facilities of its kind in the world. The airport provides in excess of 143,000 jobs and contributes over \$31.6 billion to the local economy. (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2013 Comprehensive Annual Financial Report.

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 2015-16.

Long-Term Financial Planning

The City of Watauga intends to continue with an orderly and well-planned program of community service in FY2015-16 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 FY2016-17 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 46% of next year's budgeted expenditures. At the end of the current year, the City was in compliance with this policy.

Major Initiatives

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 FY2016-21 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 FY15-16. 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 that were identified via smoke testing and CCTV inspection during FY2014-15. 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.

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. A Parks Master Plan is currently underway and will identify projects that the community considers priorities in future years. Projects currently in progress include irrigation improvements throughout the City parks.

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.

The use of the Equipment Replacement Fund will continue for funding and purchases of equipment, vehicles, technology, and facility needs. In FY2013-14, the City enhanced the use of an Equipment Replacement Fund to level and plan the purchases of equipment and capital items that meet certain cost thresholds and a minimum useful life. This use of the Equipment Replacement Fund was further expanded in FY2014-15 to include the financing of legacy equipment.

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, 2014. 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, 2014. 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 fifth consecutive Government Treasurer's Organization of Texas' Investment Policy Certificate of Distinction award. The Government Treasurer's Organization of Texas conducts an Investment Policy Certification program, which is designed to provide professional guidance in developing an investment policy and to recognize outstanding examples of written investment policies. This is awarded to those entities that have developed an Investment policy, which meets established criteria. The Certificate is awarded for two years and then may be renewed upon review. Only 55 other entities have received this award.

In conclusion, we wish to thank the City Council for their continued leadership and support in planning and conducting the financial operations of our City in a responsible and efficient manner. 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, 2015**

Elected Officials	Position	Term Expires
Hector Garcia	Mayor	2017
Robert Davis	Mayor Pro Tem, Council Member - Place 7	2016
Hal Gerhardt	Council Member - Place 1	2016
Brandon Krausse	Council Member - Place 2	2016
Lee Griffin	Council Member - Place 3	2017
James Wright	Council Member - Place 4	2017
Melva Clark	Council Member - Place 5	2017
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
Paul Hackleman	Public Works Director
Lana Ewell	Library Director
Sal Torres	Parks and Community Services Director
Glen Fowler	Police Chief
Bill Crawford	Fire Chief
Sandra Gibson	Director of Finance and Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**City of Watauga
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

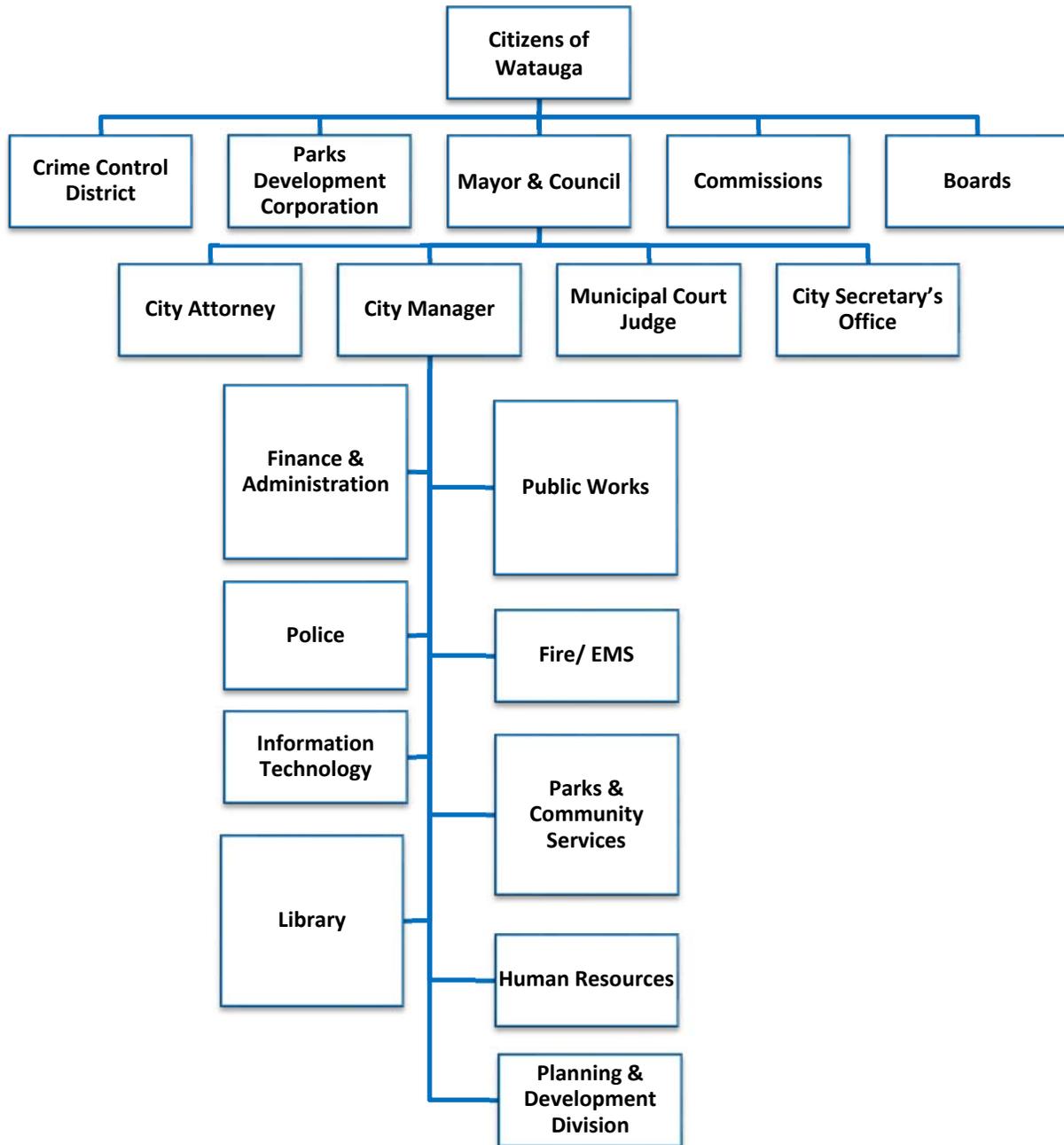
Executive Director/CEO

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, 2014. The City of Watauga has received the Certificate of Achievement, which is a prestigious national award, for the last thirty 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, 2015, 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. 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 and Note 12 to the financial statements, the City adopted the provisions of Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of September 30, 2015. Our opinion is not modified with respect to this matter.

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, pension information on pages 51 to 52, and budgetary comparison information on pages 53 to 54, 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.

Whitley Penn LLP

Houston, Texas
February 22, 2016

CITY OF WATAUGA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

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, 2015. 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, 2015, Government-Wide Total Assets and Deferred Outflows of Resources exceeded Total Liabilities and Deferred Inflows of Resources by \$67,658,208 (Net position) or an increase of \$1,596,224 over the prior year as a result of operations. This increase does not include a prior period adjustment in the amount of (\$4,014,751) which was necessary as a result of the implementation of new accounting standards related to the City's pension.
- Of the Total Government-Wide Net Position, \$9,006,760 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of \$3,495,165 from the prior year. This was primarily due to the effect of the prior period adjustment that was necessary due to implementation of new accounting standards related to the City's pension.
- Governmental Activities Total Net Position increased by \$1,025,922 as a result of operations due to an increase in general revenues. This increase does not include a prior period adjustment in the amount of \$(3,376,144) which was necessary as a result of the implementation of new accounting standards related to the City's pension.
- Total Governmental Funds ending balance was \$13,138,365, a decrease of \$1,329,032 due primarily to the City's ongoing capital projects. The Unassigned General Fund balance is \$5,734,435 or 51% of total General Fund expenditures.
- Business-Type Activities Total Net Position increased by \$570,302 as a result of operations due primarily to infrastructure improvements. This increase does not include a prior period adjustment in the amount of \$(638,607) which was necessary as a result of the implementation of new accounting standards related to the City's pension.
- The City's total long-term debt decreased from \$30,280,035 to \$26,592,221 or 12.2% due to scheduled debt service payments.

CITY OF WATAUGA, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred outflows of resources, with the difference 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.

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

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.

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 23-47 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information (RSI) can be found on pages 51-54 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 58-71 of this report.

Government-Wide Financial Analysis

Total Assets of the City are \$101,137,668. Capital assets, net of depreciation, represent the largest portion of the City's assets (\$72,099,247, or 71.3%) 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, 2015, the City of Watauga's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,658,208 (Net Position).

The City's Net Investment in Capital Assets is \$58,337,988. 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.

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

Restricted net position is \$313,460, or 0.5% 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 (\$9,006,760 or 13.3%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of \$1,596,224 in total net position during the fiscal year as a result of the City's operations. Governmental activities showed an increase of \$1,025,922, while Business-type activities showed an increase of \$570,302 as a result of the City's operations. This increase does not include a prior period adjustment in the amount of \$(4,014,751) which was necessary as a result of implementation of new accounting standards related to the City's pension.

Table 1

Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 15,479,333	\$ 16,321,721	\$ 13,559,088	\$ 14,393,638	\$ 29,038,421	\$ 30,715,359
Capital assets	46,038,775	46,247,632	26,060,472	25,815,184	72,099,247	72,062,816
Total Assets	61,518,108	62,569,353	39,619,560	40,208,822	101,137,668	102,778,175
Deferred outflows of resources	1,094,719	82,540	232,085	58,756	1,326,804	141,296
Long-term liabilities outstanding	19,561,856	17,522,395	11,785,063	12,757,641	31,346,919	30,280,036
Other liabilities	1,185,932	1,178,180	1,959,545	1,384,521	3,145,477	2,562,701
Total Liabilities	20,747,788	18,700,575	13,744,608	14,142,162	34,492,396	32,842,737
Deferred inflows of resources	263,942	-	49,926	-	313,868	-
Net position:						
Net investment in capital assets	36,792,569	36,422,084	21,545,419	20,531,108	58,337,988	56,953,192
Restricted	295,177	534,026	18,283	87,591	313,460	621,617
Unrestricted	4,513,351	6,995,208	4,493,409	5,506,717	9,006,760	12,501,925
Total Net Position	\$ 41,601,097	\$ 43,951,318	\$ 26,057,111	\$ 26,125,416	\$ 67,658,208	\$ 70,076,734

As of September 30, 2015, 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 decrease in net position was \$2,350,221 or 5.3% decrease from the prior year. Key elements of activity changes from the prior year are as follows:

- Increase in long term liabilities outstanding by \$2,039,461, or 11.6% due to a prior period adjustment of \$(3,376,144) for the implementation of new accounting standards related to the City's pension.
- Total revenues increased by \$514,506 or 3.2% from the prior year, while expenses increased by \$374,067 or 2.4%.
- Transfers from Business-Type Activities increased by \$108,851.

Business-type activities. Business-type activities increased the City's net position by \$68,305, accounting for 2.8% of the total growth in net position.

Significant changes from the prior year include:

- Total revenues decreased by \$23,619.
- Fees, Fines, and Charges for Services revenue decreased by \$13,824 due to a decrease in water consumption.

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

- Total expenses increased by \$675,204. This was due primarily to an increase in water and sewer expenses of \$816,088. This increase in expenses was in large part due to increased wholesale wastewater expenses as a result of the inflow and infiltration during the April – May rain event.

Table 2

Statement of Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Fees, fines and charges for services	\$ 2,664,229	\$ 2,740,562	\$ 9,296,994	\$ 9,310,818	\$ 11,961,223	\$ 12,051,380
Operating grants and contributions	13,959	16,438	-	-	13,959	16,438
Capital grants and contributions	-	-	-	16	-	16
General revenue						
Property taxes	5,943,335	5,677,248	-	-	5,943,335	5,677,248
Sales taxes	6,284,432	6,008,050	-	-	6,284,432	6,008,050
Franchise taxes	1,184,339	1,125,164	-	-	1,184,339	1,125,164
Payment in lieu of taxes	458,232	469,219	-	-	458,232	469,219
Penalties and interest	42,000	32,724	-	-	42,000	32,724
Interest on investments	29,030	10,763	21,017	3,384	50,047	14,147
Miscellaneous revenue	26,435	51,317	9,196	36,608	35,631	87,925
Total Revenues	16,645,991	16,131,485	9,327,207	9,350,826	25,973,198	25,482,311
Expenses						
General government	5,928,568	5,946,991	-	-	5,928,568	5,946,991
Public safety	5,430,215	5,121,732	-	-	5,430,215	5,121,732
Culture and recreation	3,077,296	2,411,179	-	-	3,077,296	2,411,179
Public works	1,315,752	1,980,003	-	-	1,315,752	1,980,003
Interest on long-term debt	446,308	364,167	282,538	282,538	728,846	646,705
Water and sewer	-	-	6,949,803	6,133,715	6,949,803	6,133,715
Drainage Utility	-	-	946,494	1,087,378	946,494	1,087,378
Total Expenses	16,198,139	15,824,072	8,178,835	7,503,631	24,376,974	23,327,703
Increase (decrease) in net position before transfers	447,852	307,413	1,148,372	1,847,195	1,596,224	2,154,608
Transfers	578,070	469,219	(578,070)	(469,219)	-	-
Increase (decrease) in net position after transfers	1,025,922	776,632	570,302	1,377,976	1,596,224	2,154,608
Net position - beginning	43,951,319	43,174,686	26,125,416	24,747,440	70,076,735	67,922,126
Prior period adjustment	(3,376,144)	-	(638,607)	-	(4,014,751)	-
Net position - ending	\$ 41,601,097	\$ 43,951,318	\$ 26,057,111	\$ 26,125,416	\$ 67,658,208	\$ 70,076,734

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 \$13,138,365, which is a decrease of \$1,329,032 from the prior year. Unassigned fund balance is \$5,734,435 or 44% 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 (\$17,389) and prepaid items (\$117,194), 2) restricted for capital

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

acquisitions and contractual obligations (\$4,076,280), retirement of fund indebtedness (\$342,274), culture and recreation (\$695,139), public works (\$654,858) and public safety (\$1,500,796).

The general fund is the primary operating fund of the City. The fund balance has decreased by a net \$193,713 over the prior year, to \$5,842,997. This was less than the budgeted decrease of \$1,149,350 due to expenditures coming in less than budgeted for most departments and revenues coming in higher than budgeted.

The G.O. Debt Service fund increased by \$34,265 over the prior year, to \$339,487 as a result of a slight increase in tax revenue over budgeted amount.

Other Governmental Funds showed a \$205,443 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 \$1,464,759 and Drainage Utility at \$3,028,650. The proprietary funds had a combined net position increase of \$536,897 as a result of operations. The Water/Sewer fund had an increase in the net position of \$159,701, while the Drainage Utility fund had a net position increase of \$377,196 as a result of operations. This increase does not include a prior period adjustment in the amount of \$ (488,413) for the Water/Sewer fund and \$ (150,194) for the Drainage Utility fund. The prior period adjustment was necessary due to the implementation of new accounting standards related to the City's pension. The adjustments for consolidation of the Internal Service fund included an additional gain of \$33,405.

Budgetary Highlights

Actual total general fund expenditures were significantly under budget for FY 2015. There was an overall positive variance with final budget for the General Fund of \$955,637. A major component in this positive variance was lower than forecasted expenditures of \$692,282.

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, 2015, amount to \$72,099,247 (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 0.1%. 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:

- Projects that were included in Construction in Progress in FY2014 which were completed this fiscal year include the following:
 - Veteran's Memorial at Capp Smith Park in the amount of \$97,799 as pictured on the cover of this document.
 - Skate Park project at Indian Springs in the amount of \$241,196
 - Amphitheater Shade Structure in the amount of \$79,942 at Capp Smith Park.

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

- Completion of the Watauga Road Improvement Project in the amount of \$608,003.
- Projects that began in FY2015 include and were added to Construction in Progress:
 - Increase of \$601,864 in Construction in Progress for the Senior Center project , Watauga Water Tower Project and Bursey Road Street Improvement Project, Phase I
 - Increase of \$913,247 in Wastewater Improvement Project Phase I and II, bringing the total in CIP for this project to \$1,709,938 at the end of FY2015.
- Other Projects that were completed in FY2015 include:
 - Infrastructure improvements (street overlays, sidewalks) in the amount of \$469,865

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

Table 3

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 19,019,600	\$ 19,019,600	\$ 91,000	\$ 91,000	\$ 19,110,600	\$ 19,110,600
Construction in progress	601,865	490,378	2,028,236	1,071,496	2,630,101	1,561,874
Buildings and improvements	15,285,241	15,564,051	2,354,841	2,418,516	17,640,082	17,982,567
Improvements other than buildings	383,258	391,534	-	-	383,258	391,534
Equipment	4,016,112	4,148,858	878,627	947,266	4,894,739	5,096,124
Drainage improvements	-	-	8,260,478	8,595,725	8,260,478	8,595,725
Infrastructure	6,732,699	6,633,211	-	-	6,732,699	6,633,211
Waterworks and sanitary sewer system	-	-	12,447,290	12,691,181	12,447,290	12,691,181
Total Capital Assets	<u>\$ 46,038,775</u>	<u>\$ 46,247,632</u>	<u>\$ 26,060,472</u>	<u>\$ 25,815,184</u>	<u>\$ 72,099,247</u>	<u>\$ 72,062,816</u>

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$26,592,221. Of this amount, \$22,995,000 comprises debt backed by the full faith and credit of the government.

Other debt includes \$560,479 owed to the City of North Richland Hills for the City's portion of a joint agreement on street repair, and \$2,497,152 in Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's total debt decreased by \$3,687,814, which includes a \$125,208 decrease in compensated absences.

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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 3,745,000	\$ 4,430,000	\$ 1,275,000	\$ 2,480,000	\$ 5,020,000	\$ 6,910,000
Certificates of obligation	8,925,000	9,620,000	9,050,000	9,505,000	17,975,000	19,125,000
Revenue bonds	-	415,000	-	-	-	415,000
Notes payable	560,479	615,629	-	-	560,479	615,629
Compensated absences payable	2,186,860	2,285,249	310,292	337,110	2,497,152	2,622,359
Unamortized bond premium	146,123	156,516	393,467	435,531	539,590	592,047
	<u>\$ 15,563,462</u>	<u>\$ 17,522,394</u>	<u>\$ 11,028,759</u>	<u>\$ 12,757,641</u>	<u>\$ 26,592,221</u>	<u>\$ 30,280,035</u>

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

Economic Factors and Next Year's Budgets and Rates

The City leadership has put in place major financial sustainability measures over the past several years such as implementing an Equipment Replacement Fund, long-term financial planning, and economic development and neighborhood revitalization programs. The City has experienced modest growth in sales tax collections, coupled with fairly modest increases in taxable property. In FY2015-16, City Council increased the tax rate from \$0.591216 per \$100 assessed valuation to \$0.618718 per \$100 assessed valuation in order to continue to provide the high level quality of services the citizens of Watauga deserve and have come to expect, while providing for providing for strategic initiatives, increased operating costs, and increased employee benefit costs and wage adjustments.

Many capital improvement projects are underway in the City at this time. Several major water/sewer system infrastructure projects are planned in the 5-year Capital Improvement Plan as well as significant improvements to our storm water drainage system. The Wastewater Phase I and Watauga Heights Storm Drain Improvements are currently in progress and are scheduled to be completed in the fall of 2016. The 2014 bond issuance has provided funding for major street project, Bursey Road, that is located in a prime area of the City that has potential for economic development opportunities. The Bursey Road project is scheduled to be completed in the summer, 2016. In addition, the Senior Center project that began in FY2014-15 is underway that will better meet the needs of our citizens.

Moreover, in an effort to keep up with increased wholesale and wastewater costs, City Council has authorized a pass through rate increase for both areas. Rates scheduled to increase by the wholesale pass-through rate increases and a water and wastewater rate study will be evaluated in the next fiscal year.

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

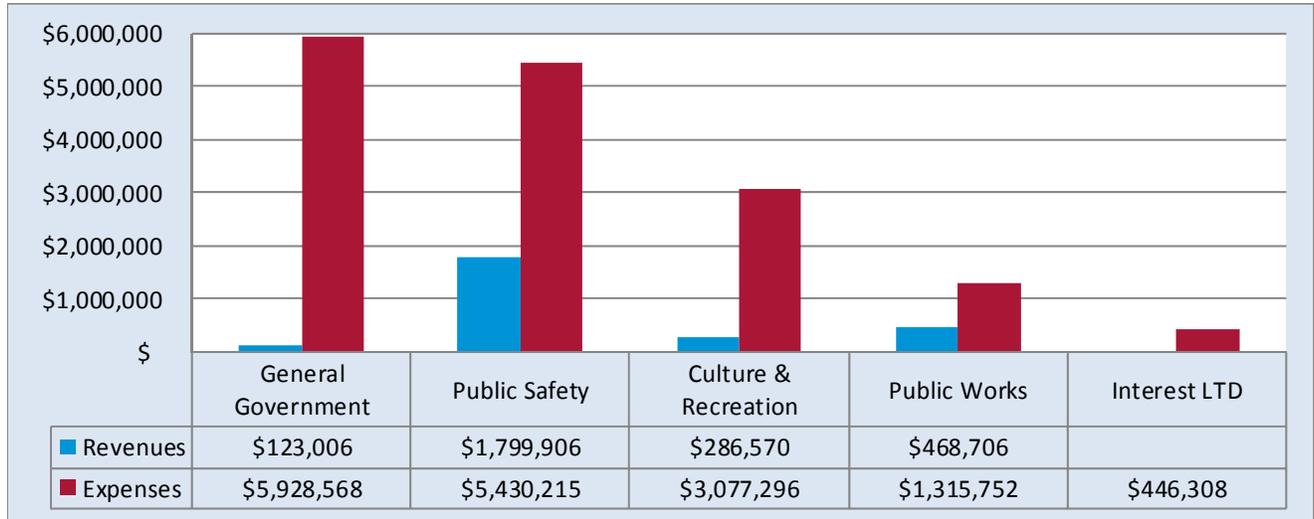
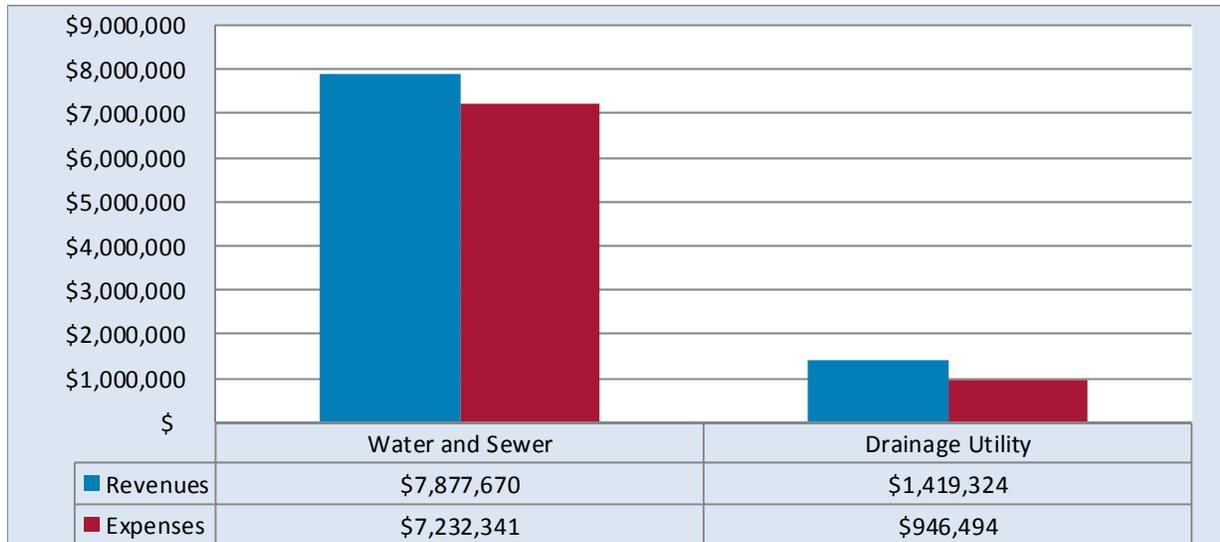


Figure 2

Revenues and Program Expenses – Business-Type Activities



CITY OF WATAUGA, TEXAS
GOVERNMENT WIDE - STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,598,995	\$ 2,105,406	\$ 6,704,401
Investments	9,027,397	10,025,166	19,052,563
Receivables, net of allowance for uncollectibles	1,718,358	1,356,306	3,074,664
Inventories	17,389	32,169	49,558
Prepaid items	117,194	21,758	138,952
Restricted cash and cash equivalents	-	18,283	18,283
Capital assets:			
Land	19,019,600	91,000	19,110,600
Buildings and improvements	15,285,241	2,354,841	17,640,082
Improvements other than buildings	383,258	-	383,258
Equipment	4,016,112	878,627	4,894,739
Drainage improvements	-	8,260,478	8,260,478
Infrastructure	6,732,699	-	6,732,699
Waterworks and sanitary sewer system	-	12,447,290	12,447,290
Construction in progress	601,865	2,028,236	2,630,101
Total Capital Assets	<u>46,038,775</u>	<u>26,060,472</u>	<u>72,099,247</u>
Total Assets	<u>61,518,108</u>	<u>39,619,560</u>	<u>101,137,668</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	54,118	35,254	89,372
Deferred outflows - pension	1,040,601	196,831	1,237,432
Total deferred outflows of resources	<u>1,094,719</u>	<u>232,085</u>	<u>1,326,804</u>
LIABILITIES			
Accounts payable	427,981	941,507	1,369,488
Accrued liabilities	648,777	77,402	726,179
Accrued interest	90,753	49,867	140,620
Customer deposits	18,421	890,769	909,190
Long-term liabilities:			
Due within one year	1,533,695	1,776,213	3,309,908
Due in more than one year	14,029,769	9,252,545	23,282,314
Net pension liability	3,998,392	756,305	4,754,697
Total Liabilities	<u>20,747,788</u>	<u>13,744,608</u>	<u>34,492,396</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	263,942	49,926	313,868
Total deferred outflows of resources	<u>263,942</u>	<u>49,926</u>	<u>313,868</u>
NET POSITION			
Net investment in capital assets	36,792,569	21,545,419	58,337,988
Restricted for:			
Debt service	295,177	18,283	313,460
Unrestricted	4,513,351	4,493,409	9,006,760
Total Net Position	<u>\$ 41,601,097</u>	<u>\$ 26,057,111</u>	<u>\$ 67,658,208</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, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenue			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General government	\$ 5,928,568	\$ 123,006	\$ -	\$ (5,805,562)	\$ -	\$ (5,805,562)
Public safety	5,430,215	1,799,906	-	(3,630,309)	-	(3,630,309)
Culture and recreation	3,077,296	272,611	13,959	(2,790,726)	-	(2,790,726)
Public works	1,315,752	468,706	-	(847,046)	-	(847,046)
Interest on long-term debt	446,308	-	-	(446,308)	-	(446,308)
Total governmental activities	16,198,139	2,664,229	13,959	(13,519,951)	-	(13,519,951)
Business-type activities:						
Water and Sewer	7,232,341	7,877,670	-	-	645,329	645,329
Drainage Utility	946,494	1,419,324	-	-	472,830	472,830
Total business-type activities	8,178,835	9,296,994	-	-	1,118,159	1,118,159
Total primary government	\$ 24,376,974	\$ 11,961,223	\$ 13,959	(13,519,951)	1,118,159	(12,401,792)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				5,943,335	-	5,943,335
Sales taxes				6,284,432	-	6,284,432
Franchise taxes				1,184,339	-	1,184,339
Payment in lieu of taxes				458,232	-	458,232
Penalties and interest				42,000	-	42,000
Interest on investments				29,030	21,017	50,047
Miscellaneous revenue				26,435	9,196	35,631
Transfers				578,070	(578,070)	-
Total general revenues and transfers				14,545,873	(547,857)	13,998,016
Change in net position				1,025,922	570,302	1,596,224
Net position - beginning				43,951,319	26,125,416	70,076,735
Prior Period Adjustment				(3,376,144)	(638,607)	(4,014,751)
Net position - ending				\$ 41,601,097	\$ 26,057,111	\$ 67,658,208

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

CITY OF WATAUGA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	G.O. Debt Service Fund	G.O. Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,843,701	\$ 219,050	\$ (135,888)	\$ 1,255,979	\$ 4,182,842
Investments	2,806,309	120,437	3,820,483	1,864,722	8,611,951
Receivables, net of allowance for uncollectibles					
Property taxes	89,496	38,203	573	-	128,272
Accounts receivable	1,062,505	-	-	526,710	1,589,215
Prepays and deposits	91,173	-	-	26,021	117,194
Inventory of supplies	17,389	-	-	-	17,389
Total Assets	\$ 6,910,573	\$ 377,690	\$ 3,685,168	\$ 3,673,432	\$ 14,646,863
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 100,615	\$ -	\$ 115,222	\$ 194,747	\$ 410,584
Accrued liabilities	513,485	-	17,396	75,354	606,235
Deposits	18,421	-	-	-	18,421
Unearned revenue	59,938	-	-	-	59,938
Total Liabilities	692,459	-	132,618	270,101	1,095,178
Deferred Inflows of Resources					
Unavailable revenue - Property Taxes	89,497	38,203	-	-	127,700
Unavailable revenue - EMS	285,620	-	-	-	285,620
Total Deferred Inflows of Resources	375,117	38,203	-	-	413,320
Fund balances:					
Non-Spendable					
Inventories	17,389	-	-	-	17,389
Prepaid items	91,173	-	-	26,021	117,194
Restricted					
Capital acquisitions and contractual obligations	-	-	3,552,550	523,730	4,076,280
Debt service	-	339,487	-	2,787	342,274
Culture and recreation	-	-	-	695,139	695,139
Public works	-	-	-	654,858	654,858
Public safety	-	-	-	1,500,796	1,500,796
Unassigned	5,734,435	-	-	-	5,734,435
Total Fund balances	5,842,997	339,487	3,552,550	3,403,331	13,138,365
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,910,573	\$ 377,690	\$ 3,685,168	\$ 3,673,432	\$ 14,646,863

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, 2015**

Total fund balance - governmental funds	\$	13,138,365
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.		46,038,774
Deferred charge on refunding		54,118
Deferred outflows related to Texas Municipal Retirement System		1,040,601
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.		(90,753)
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.		832,470
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		413,320
Deferred inflows related to Texas Municipal Retirement System		(263,942)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements.		<u>(19,561,856)</u>
Net position of governmental activities	\$	<u>41,601,097</u>

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, 2015

	<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 and franchise fees	\$ 8,549,781	\$ 1,809,740	\$ -	\$ 3,112,197	\$ 13,471,718
Licenses and permits	285,258	-	-	-	285,258
Charges for services	748,687	-	-	-	748,687
Fines and forfeitures	758,723	-	-	540,174	1,298,897
Interest income	12,967	342	8,965	4,713	26,987
Intergovernmental	458,232	-	-	-	458,232
Miscellaneous	205,448	-	-	114,568	320,016
Total Revenues	<u>11,019,096</u>	<u>1,810,082</u>	<u>8,965</u>	<u>3,771,652</u>	<u>16,609,795</u>
Expenditures					
Current:					
General government	5,728,240	-	-	-	5,728,240
Public safety	3,122,548	-	-	1,948,866	5,071,414
Culture and recreation	1,394,887	-	-	597,745	1,992,632
Public works	916,993	-	-	100,005	1,016,998
Capital outlay	-	-	1,010,253	761,554	1,771,807
Debt Service:					
Principal	-	1,380,000	55,150	415,000	1,850,150
Interest and other charges	-	395,817	27,703	4,552	428,072
Total Expenditures	<u>11,162,668</u>	<u>1,775,817</u>	<u>1,093,106</u>	<u>3,827,722</u>	<u>17,859,313</u>
Excess (deficiency) of revenues over expenditures	<u>(143,572)</u>	<u>34,265</u>	<u>(1,084,141)</u>	<u>(56,070)</u>	<u>(1,249,518)</u>
Other Financing Sources (Uses)					
Proceeds from sale of assets	17,589	-	-	7,827	25,416
Transfers in	434,270	-	120,000	186,700	740,970
Transfers out	(502,000)	-	-	(343,900)	(845,900)
Total other financing sources and uses	<u>(50,141)</u>	<u>-</u>	<u>120,000</u>	<u>(149,373)</u>	<u>(79,514)</u>
Net change in fund balances	(193,713)	34,265	(964,141)	(205,443)	(1,329,032)
Fund balances - beginning	<u>6,036,710</u>	<u>305,222</u>	<u>4,516,691</u>	<u>3,608,774</u>	<u>14,467,397</u>
Fund balances - ending	<u>\$ 5,842,997</u>	<u>\$ 339,487</u>	<u>\$ 3,552,550</u>	<u>\$ 3,403,331</u>	<u>\$ 13,138,365</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, 2015

Net change in fund balances - total governmental funds	\$ (1,329,032)
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.	1,638,831
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.	(1,969,105)
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.	(2,990)
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.	1,791,832
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.	98,389
Pension contributions made after the pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position	1,000,977
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.	13,413
Pension expense for the pension plan measurement year	(846,566)
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.	630,173
Change in net position of governmental activities	\$ 1,025,922

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, 2015

(1 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>	
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	\$ 491,410	\$ 1,613,996	\$ 2,105,406	\$ 416,153
Investments	8,433,568	1,591,598	10,025,166	415,446
Accounts receivable and unbilled revenue less allowance for uncollectibles of \$658,774 for water and sewer, and \$24,885 for drainage utility	1,280,925	75,381	1,356,306	871
Inventories	32,169	-	32,169	-
Prepaid items	16,261	5,497	21,758	-
Restricted bond interest and sinking cash and cash equivalents	18,283	-	18,283	-
Total current assets	10,272,616	3,286,472	13,559,088	832,470
<u>Non-current assets:</u>				
Capital Assets:				
Land	91,000	-	91,000	-
Construction in Progress	1,821,552	206,684	2,028,236	-
Buildings	3,246,847	106,931	3,353,778	154,384
Equipment	1,480,767	181,271	1,662,038	2,820,549
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	-
	22,761,538	17,238,396	39,999,934	2,974,933
Less Accumulated depreciation	(5,465,584)	(8,626,590)	(14,092,174)	(2,080,349)
Net utility plant and equipment in service	17,295,954	8,611,806	25,907,760	894,584
Total noncurrent assets	17,295,954	8,611,806	25,907,760	894,584
Total assets	27,568,570	11,898,278	39,466,848	1,727,054
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	35,254	-	35,254	-
Deferred outflows - pension	150,539	46,292	196,831	-
Total deferred outflows	185,793	46,292	232,085	-

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, 2015

(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	\$ 908,383	\$ 109	\$ 908,492	\$ -
Accrued liabilities	78,210	32,207	110,417	-
Current portion of compensated absences	35,703	10,510	46,213	-
Current portion of bonds payable	1,730,000	-	1,730,000	-
Deposits	890,769	-	890,769	-
Accrued interest	49,867	-	49,867	-
Total current liabilities	<u>3,692,932</u>	<u>42,826</u>	<u>3,735,758</u>	<u>-</u>
<u>Noncurrent liabilities:</u>				
Bonds payable	8,988,467	-	8,988,467	-
Compensated absences	192,407	71,671	264,078	-
Net pension liability	578,430	177,875	756,305	-
Total non-current liabilities	<u>9,759,304</u>	<u>249,546</u>	<u>10,008,850</u>	<u>-</u>
Total liabilities	<u>13,452,236</u>	<u>292,372</u>	<u>13,744,608</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
<u>Deferred inflows - pension</u>				
	38,184	11,742	49,926	-
Total deferred outflows	<u>38,184</u>	<u>11,742</u>	<u>49,926</u>	<u>-</u>
NET POSITION				
<u>Net investment in capital assets</u>				
Restricted for debt service	12,780,901	8,611,806	21,392,707	894,584
Unrestricted	18,283	-	18,283	-
	<u>1,464,759</u>	<u>3,028,650</u>	<u>4,493,409</u>	<u>832,470</u>
Total Net Position	<u>\$ 14,263,943</u>	<u>\$ 11,640,456</u>	<u>25,904,399</u>	<u>\$ 1,727,054</u>

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

CITY OF WATAUGA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2015

	<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 revenues				
Water service	\$ 4,257,754	\$ -	\$ 4,257,754	\$ -
Sewer service	3,212,599	-	3,212,599	-
Drainage fees	-	1,419,324	1,419,324	-
Service fees and miscellaneous	407,333	-	407,333	196,660
Total operating revenues	<u>7,877,686</u>	<u>1,419,324</u>	<u>9,297,010</u>	<u>196,660</u>
Operating expenses				
General and administrative	579,433	828	580,261	-
Sewer distribution	2,359,918	-	2,359,918	-
Water distribution	2,759,185	-	2,759,185	-
Personnel services	-	437,223	437,223	-
Nondepartmental	631,519	127,027	758,546	-
Billing and collections	59,873	-	59,873	-
Supplies	-	27,524	27,524	-
Repairs and maintenance	135,656	29,906	165,562	-
Contractual services	-	8,056	8,056	116,804
Depreciation and amortization	391,755	348,480	740,235	101,321
Total operating expenses	<u>6,917,339</u>	<u>979,044</u>	<u>7,896,383</u>	<u>218,125</u>
Operating income (loss)	<u>960,347</u>	<u>440,280</u>	<u>1,400,627</u>	<u>(21,465)</u>
Non-operating revenues (expenses)				
Investment income	14,631	6,386	21,017	2,043
Gain (loss) on disposal of capital assets	3,528	1,030	4,558	-
Interest expense	(344,235)	-	(344,235)	-
Total Non-operating revenue (expenses), net	<u>(326,076)</u>	<u>7,416</u>	<u>(318,660)</u>	<u>2,043</u>
Income (loss) before transfers	634,271	447,696	1,081,967	(19,422)
Transfers in	-	-	-	683,000
Transfers out	(474,570)	(70,500)	(545,070)	-
Change in net position	159,701	377,196	536,897	663,578
Total net position - beginning of the year	14,592,655	11,413,454		1,063,476
Prior period adjustment	(488,413)	(150,194)		
Total net position - ending of the year	<u>\$ 14,263,943</u>	<u>\$ 11,640,456</u>		<u>\$ 1,727,054</u>
Reconciliation to government-wide statement of net position				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>33,405</u>	
Change in net position of business-type activities			<u>\$ 570,302</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, 2015

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
OPERATING ACTIVITIES				
Cash received from customers	\$ 7,773,920	\$ 1,415,222	\$ 9,189,142	\$ 195,788
Cash payments to suppliers for goods and services	(338,230)	(201,460)	(539,690)	(116,804)
Cash payments to employees for services	(5,698,679)	(457,046)	(6,155,725)	-
Net cash provided (used) by operating activities	1,737,011	756,716	2,493,727	78,984
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	683,000
Transfers to other funds	(474,570)	(70,500)	(545,070)	-
Net cash provided by (used by) noncapital financing activities	(474,570)	(70,500)	(545,070)	683,000
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of equipment	7,700	1,480	9,180	-
Capital expenditures	(944,506)	(12,234)	(956,740)	(259,131)
Repayment of debt	(1,660,000)	-	(1,660,000)	-
Interest paid on debt	(366,803)	-	(366,803)	-
Net cash used in capital and related financing activities	(2,963,609)	(10,754)	(2,974,363)	(259,131)
INVESTING ACTIVITIES				
Investment income	14,631	6,386	21,017	2,043
Purchase of investments	(373,222)	(1,591,598)	(1,964,820)	(415,446)
Net cash provided by (used by) investing activities	(358,591)	(1,585,212)	(1,943,803)	(413,403)
Net change in cash and cash equivalents	(2,059,759)	(909,750)	(2,969,509)	89,450
Cash and equivalents, beginning of year	2,569,452	2,523,746	5,093,198	326,703
Cash and equivalents, at end of year	\$ 509,693	\$ 1,613,996	\$ 2,123,689	\$ 416,153
Unrestricted cash and equivalents	\$ 491,410	\$ 1,613,996	\$ 2,105,406	\$ 416,153
Restricted cash and equivalents	18,283	-	18,283	-
	\$ 509,693	\$ 1,613,996	\$ 2,123,689	\$ 416,153

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, 2015
(continued)**

	<u>Business-Type Activities</u>			<u>Governmental Activities - Internal Service Fund</u>
	<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)	\$ 960,347	\$ 440,280	\$ 1,400,627	\$ (21,465)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	391,755	348,480	740,235	101,320
(Increase) decrease in accounts receivable and unbilled revenue	(127,827)	(4,102)	(131,929)	(871)
(Increase) decrease in prepaids items	(16,261)	(5,497)	(21,758)	-
(Increase) decrease in deferred outflows - pensions	(49,794)	(15,312)	(65,106)	-
(Increase) decrease in inventory	(16,452)	-	(16,452)	-
Increase (decrease) in deferred inflows - pension	38,184	11,742	49,926	-
Increase (decrease) in accounts payable	521,531	(2,622)	518,909	-
Increase (decrease) in accrued liabilities	29,461	6,599	36,060	-
Increase (decrease) in net pension liability	(10,728)	(3,299)	(14,027)	-
Increase (decrease) in compensated absences	(7,266)	(19,553)	(26,819)	-
Increase (decrease) in deposits	24,061	-	24,061	-
Net cash provided by operating activities	<u>\$ 1,737,011</u>	<u>\$ 756,716</u>	<u>\$ 2,493,727</u>	<u>\$ 78,984</u>
Reconciliation of cash to balance sheet				
Cash - current	\$ 491,410	\$ 1,613,996	\$ 2,105,406	\$ 416,153
Cash - bond interest and sinking	18,283	-	18,283	-
Cash and cash equivalents	<u>\$ 509,693</u>	<u>\$ 1,613,996</u>	<u>\$ 2,123,689</u>	<u>\$ 416,153</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, 2015 was \$2,497,152, including \$310,292 of proprietary fund balances which are included with accrued liabilities on the proprietary fund balance sheet.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for reporting in this category:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between projected and actual earnings on pension plan investments. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related outflow will be amortized over a closed five year period.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for this category:

- Deferred inflows of resources for unavailable revenues – Reported in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government-wide statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with pension through the pension plan, which is currently 3.88 years.

Fund Equity

The City reports fund balances in accordance with 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 (continued)

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, 2015, 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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Standards

In the current fiscal year, the City implemented the following new accounting standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local government employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends the transition provisions of GASB Statement No. 68. GASB Statement No. 71 requires that at transition, a government must recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

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.

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

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

Deposits and investments as of September 30, 2015, are classified in the accompanying financial statements as follows:

Governmental Activities	\$	13,626,392
Business Type Activities		12,148,855
	<u>\$</u>	<u>25,775,247</u>

Deposits and investments as of September 30, 2015, consist of the following:

Deposits with financial institutions	\$	653,739
Investments		25,121,508
	<u>\$</u>	<u>25,775,247</u>

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

Disclosures Relating to Interest Rate Risk

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

As of September 30, 2015, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 1,896,508	41 days
TexPool Prime	302,260	25 days
Texas Daily	444,264	37 days
LOGIC	739,287	33 days
Southside Money Market	9,239,189	Daily
CDs	12,500,000	343 Days
	<u>\$ 25,121,508</u>	

\$946,037 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, 2015, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

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

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

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Rating Required</u>	<u>Actual Investment Rating</u>
TexPool	\$ 1,896,508	AAA	AAAm
TexPool Prime	302,260	AAA	AAAm
Texas Daily	444,264	AAA	AAAm
LOGIC	739,287	AAA	AAAm
Southside Money Market	9,239,189	N/A	N/A
CDs	12,500,000	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, 2015, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

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

At September 30, 2015, the carrying amount of the City's cash on hand and deposits was \$653,739 and the bank balance was \$2,117,885. Of the bank balance, \$250,000 was covered by federal depository insurance while the remaining \$1,867,885 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.

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

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

Custodial Credit Risk (continued)

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net 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, 2015, was as follows:

	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 19,019,600	\$ -	\$ -	\$ 19,019,600
Construction in progress	490,378	601,864	(490,377)	601,865
Total capital assets not being depreciated	<u>19,509,978</u>	<u>601,864</u>	<u>(490,377)</u>	<u>19,621,465</u>
Capital assets being depreciated				
Buildings and improvements	19,283,990	30,243	78,185	19,392,418
Improvements other than buildings	413,778	-	-	413,778
Equipment	11,747,940	487,454	(111,049)	12,124,345
Infrastructure	26,257,874	725,630	352,237	27,335,741
Total capital assets being depreciated	<u>57,703,582</u>	<u>1,243,327</u>	<u>319,373</u>	<u>59,266,282</u>
Less accumulated depreciation				
Buildings and improvements	3,719,939	387,238	-	4,107,177
Improvements other than buildings	22,244	8,276	-	30,520
Equipment	7,599,082	677,166	(168,015)	8,108,233
Infrastructure	19,624,663	978,379	-	20,603,042
Total accumulated depreciation	<u>30,965,928</u>	<u>2,051,059</u>	<u>(168,015)</u>	<u>32,848,972</u>
Total capital assets being depreciated, net	<u>26,737,654</u>	<u>(807,732)</u>	<u>487,388</u>	<u>26,417,310</u>
Governmental activities capital assets, net	<u>\$ 46,247,632</u>	<u>\$ (205,868)</u>	<u>\$ (2,989)</u>	<u>\$ 46,038,775</u>
	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 91,000	\$ -	\$ -	\$ 91,000
Construction in progress	1,071,496	956,740	-	2,028,236
Total capital assets not being depreciated	<u>1,162,496</u>	<u>956,740</u>	<u>-</u>	<u>2,119,236</u>
Capital assets being depreciated				
Buildings and improvements	3,353,778	-	-	3,353,778
Equipment	1,903,367	52,754	(60,882)	1,895,239
Street and drainage improvements	16,743,510	-	-	16,743,510
Waterworks and sewer system	16,121,372	-	-	16,121,372
Total capital assets being depreciated	<u>38,122,027</u>	<u>52,754</u>	<u>(60,882)</u>	<u>38,113,899</u>
Less accumulated depreciation for				
Buildings and improvements	935,262	63,675	-	998,937
Equipment	956,098	116,772	(56,258)	1,016,612
Street and drainage improvements	8,147,785	335,247	-	8,483,032
Waterworks and sewer system	3,430,191	243,891	-	3,674,082
Total accumulated depreciation	<u>13,469,336</u>	<u>759,585</u>	<u>(56,258)</u>	<u>14,172,663</u>
Total capital assets being depreciated, net	<u>24,652,691</u>	<u>(706,831)</u>	<u>(4,624)</u>	<u>23,941,236</u>
Business-type activities capital assets, net	<u>\$ 25,815,187</u>	<u>\$ 249,909</u>	<u>\$ (4,624)</u>	<u>\$ 26,060,472</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	\$ 293,416
Public safety	432,362
Culture and recreation	190,551
Public works	1,134,730
Total depreciation expense - Governmental Activities	<u>\$ 2,051,059</u>
Business-Type activities	
Water and sewer	\$ 391,755
Drainage	348,481
Internal Service Fund	19,349
Total depreciation expense - Business-Type Activities	<u>\$ 759,585</u>

Construction in progress and remaining commitments under construction related construction contracts at September 30, 2015 are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>	<u>Total In Progress</u>
Governmental Activities:		
Water Tower	\$ 3,259	\$ 6,741
Bursey Road Phase I	1,118,359	571,641
Senior Center	1,776,518	23,483
Total Governmental Activities	<u>\$ 2,898,136</u>	<u>\$ 601,865</u>
Business-Type Activities:		
Water and Sewer Projects	\$ 7,052,857	\$ 2,028,236
Total Business-Type Activities	<u>\$ 7,052,857</u>	<u>\$ 2,028,236</u>

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

NOTE 4 - LONG-TERM DEBT

During the fiscal year ended September 30, 2015, 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, 2015:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,430,000	\$ -	\$ (685,000)	\$ 3,745,000	\$ 700,000
Certificates of obligation	9,620,000	-	(695,000)	8,925,000	690,000
Sales tax revenue bonds	415,000	-	(415,000)	-	-
Unamortized bond premium	156,516	-	(10,393)	146,123	-
Note payable	615,629	-	(55,150)	560,479	57,632
Compensated absences	2,285,249	293,187	(391,576)	2,186,860	86,063
Total governmental activities	17,522,394	293,187	(2,252,119)	15,563,462	1,533,695
Business-Type Activities					
General obligation bonds	2,480,000	-	(1,205,000)	1,275,000	1,275,000
Certificates of obligation	9,505,000	-	(455,000)	9,050,000	455,000
Unamortized bond premium	435,530	-	(42,063)	393,467	-
Compensated absences	337,111	40,951	(67,770)	310,292	46,213
Total Business-type Activities	12,757,641	40,951	(1,769,833)	11,028,759	1,776,213
Total government-wide activities	\$ 30,280,035	\$ 334,138	\$ (4,021,952)	\$ 26,592,221	\$ 3,309,908

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, 2015, none of the defeased bonds remain outstanding.

Amounts payable at September 30, 2015, are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
\$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%.	\$ 1,530,000	\$ -
\$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%.	2,475,000	-
\$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%.	465,000	-
\$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%.	1,750,000	-
\$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%.	3,370,000	-
\$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%	3,080,000	2,220,000
\$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%.	-	6,830,000
\$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%.	-	935,000
\$2,430,000 Series 2008 General Obligation Refunding Bonds due in annual installments of \$270,000 to \$340,000 through March 1, 2016; interest at 3.12%.	-	340,000
Total Bonds Payable	<u>\$ 12,670,000</u>	<u>\$ 10,325,000</u>

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

NOTE 4 - LONG-TERM DEBT (continued)

Notes payable at September 30, 2015, are comprised of the following individual issues:

	Governmental	Business-Type
Note payable to City of North Richland Hills annual installments of \$19,785, including interest at 4.5%, maturing February 2021.	\$ 102,051	\$ -
Note payable to City of North Richland Hills annual installments of \$63,068, including interest at 4.5%, maturing October 2024.	458,428	-
Total Notes Payable	560,479	-
Total Bonds and Notes Payable	\$ 13,230,479	\$ 10,325,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2015, are as follows:

General Obligation Bonds

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
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	520,000	21,455	-	-	541,455
2021 - 2024	585,000	19,519	-	-	604,519
	<u>\$ 3,745,000</u>	<u>\$ 306,669</u>	<u>\$ 1,275,000</u>	<u>\$ 28,679</u>	<u>\$ 5,355,348</u>

Certificates of Obligation

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
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	805,000	189,941	545,000	234,550	1,774,491
2021 - 2025	3,700,000	545,510	3,005,000	829,769	8,080,279
2026 - 2030	1,155,000	156,693	2,490,000	355,800	4,157,493
2031 - 2034	490,000	35,175	1,005,000	32,906	1,563,081
	<u>\$ 8,925,000</u>	<u>\$ 1,902,152</u>	<u>\$ 9,050,000</u>	<u>\$ 2,468,988</u>	<u>\$ 22,346,140</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, 2015, are as follows:

Notes Payable

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 57,632	\$ 25,221	\$ -	\$ -	\$ 82,853
2017	60,224	22,628	-	-	82,852
2018	62,935	19,918	-	-	82,853
2019	65,767	17,086	-	-	82,853
2020	68,727	14,126	-	-	82,853
2021 - 2024	245,194	26,596	-	-	271,790
	<u>\$ 560,479</u>	<u>\$ 125,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 686,054</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.

NOTE 5 - INTERFUND TRANSFERS

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

Interfund transfers:

Transfers In	Transfers Out	Amounts
General Fund	WPDC Sales Tax Fund	\$ 35,700
General Fund	Storm Drain Utility	70,500
General Fund	WCCPD Fund	28,500
General Fund	Water and Sewer Operating Fund	299,570
Capital Projects Fund	General Fund	120,000
WPDC Debt Service Fund	WPDC Sales Tax Fund	186,700
		<u>\$ 740,970</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.

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

NOTE 5 - INTERFUND TRANSFERS (continued)

- 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.

NOTE 6 - PENSION PLAN

The City of Watauga, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

Employee deposit rate	7.00%
Matching ration (city to employee)	2 to 1
Years required for vesting	5
Updated Service Credit	100% Ad Hoc, Transfers
Annuity Increase (to retirees)	70% of CPI as Hoc

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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

NOTE 6 - PENSION PLAN (continued)

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Number of	
Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to but not yet receiving benefits	132
Active employees	169
Total	383

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.97 percent and 13.49 percent in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$1,203,146, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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

NOTE 6 - PENSION PLAN (continued)

D. Net Pension Liability (continued)

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

NOTE 6 - PENSION PLAN (continued)

D. Net Pension Liability (continued)
Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2013	\$ 37,561,490	\$ 32,718,617	\$ 4,842,873
Changes for the year:			
Service cost	1,278,209		1,278,209
Interest (on the Total Pension Liability)	2,632,122		2,632,122
Difference between expected and actual experience	(422,782)		(422,782)
Contributions - employer		1,115,845	(1,115,845)
Contributions - employee		609,276	(609,276)
Net investment income		1,871,755	(1,871,755)
Benefit payments, including refunds of employee contributions	(1,197,706)	(1,197,706)	(1,197,706)
Administrative expense		(19,541)	19,541
Other		(1,607)	1,607
Balance at 12/31/2014	<u>\$ 39,851,333</u>	<u>\$ 35,096,639</u>	<u>\$ 4,754,694</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

<u>1% Decrease</u>	<u>Current Single Rate Assumption</u>	<u>1% Increase</u>
<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
\$11,189,196	\$4,754,694	(\$421,341)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015 the city recognized pension expense of \$1,006,696.

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

NOTE 6 - PENSION PLAN (continued)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 313,868
Difference in projected and actual earnings on pension plan investments.	334,838	-
Employer contributions made after the measurement date	902,595	-
Totals	\$ 1,237,433	\$ 313,868

\$902,575 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2016	\$ (25,204)
2017	(25,204)
2018	(12,332)
2019	83,710
2020	-
Total	\$ 20,970

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.

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Supplemental Death Benefits Plan

Plan Description

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

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

Funding Policy

The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net 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
2012	0.01%	0.01%	100%
2013	0.01%	0.01%	100%
2014	0.01%	0.01%	100%

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$12,607, \$12,740 and \$12,075, respectively, which equaled the required contributions each year.

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

NOTE 8 - RISK MANAGEMENT

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

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

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

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

NOTE 9 - LITIGATION

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

NOTE 10 - 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:

2016	\$	53,010
2017		35,370
	\$	<u>88,380</u>

Lease and rental expenditures were \$37,942 for the year ended September 30, 2015.

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

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, 2015, follows:

	G.O. Debt Service Funds	G.O. Capital Projects Fund	Non Major Governmental Funds
Capital acquisitions and contractual obligations	\$ -	\$ 3,552,550	\$ 523,730
Debt service	339,487	-	2,787
Culture and recreation:			
Park improvements	-	-	672,275
Library purposes	-	-	22,864
	-	-	695,139
Public works:			
Street maintenance	-	-	654,858
Public safety:			
Law enforcement	-	-	1,236,284
Municipal court operations	-	-	264,512
	-	-	1,500,796
Total	\$ 339,487	\$ 3,552,550	\$ 3,377,310

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the City made a prior period adjustments to the government-wide statement of net position.

The adoption of Governmental Accounting Standards Board ("GASB") Statements. No.68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ending September 30, 2015 has resulted in a prior period adjustment to the City's beginning net position on the statement of net position for the governmental activities, the business-type activities and the enterprise funds (water and sewer and drainage utility) to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with provisions of these statements.

A summary of the prior period adjustment follows:

	Governmental Activities	Business-type Activites	Water and Sewer	Drainage Utility
<u>Net position - beginning of the year:</u>				
As originally presented	\$ 43,951,319	\$ 26,125,416	\$ 14,592,655	\$ 11,413,454
Change in accounting principle for:				
Beginning net pension liability	(4,072,541)	(770,332)	(589,158)	(181,174)
Deferred Outflows - 2014 year pension contributions made after previous net pension liability measurement date	696,398	131,725	100,745	30,980
As restated	<u>\$ 40,575,176</u>	<u>\$ 25,486,809</u>	<u>\$ 14,104,242</u>	<u>\$ 11,263,260</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2015

	2014
Total pension liability:	
Service cost	\$ 1,278,209
Interest	2,632,122
Changes of benefit terms	-
Difference between expected and actual experience	(422,782)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	(1,197,706)
Net change in total pension liability	2,289,843
Total pension liability - beginning	37,561,490
Total pension liability - ending (a)	\$ 39,851,333
 Plan fiduciary net position:	
Contributions - employer	\$1,115,845
Contributions - employee	609,276
Net investment income	1,871,755
Benefit payments, including refunds of employee contributions	(1,197,706)
Administrative expense	(19,541)
Other	(1,607)
Net change in plan fiduciary net position	2,378,022
Plan fiduciary net position - beginning	32,718,617
Plan fiduciary net position - ending (b)	\$ 35,096,639
 Net pension liability - ending (a) - (b)	\$ 4,754,694
 Plan fiduciary net position as a percentage of total pension liability	88.07%
 Covered employee payroll	\$8,703,943
 Net pension liability as a percentage of covered employee payroll	54.63%

The amounts presented are for each measurement year, which end the preceding December 31st of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF WATAUGA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
September 30, 2015**

	Measurement Year				
	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$1,115,845	\$1,108,798	\$1,082,831	\$1,129,470	\$1,182,144
Contributions in relation to the actuarially determined contribution	1,115,845	1,108,798	1,082,831	1,129,470	1,182,144
Contribution deficiency(excess)	-	-	-	-	-
Covered employee payroll	8,703,943	8,522,742	8,802,695	8,901,108	8,247,740
Contributions as a percentage of Covered employee payroll	12.82%	13.01%	12.30%	12.69%	14.33%

Notes: Actuarially determined contribution rates are calculated as of December 31st and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation to an experience study for the period 2005-2009.
Mortality	RP2 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information: Notes	1) Granted 100% ad hoc USC with transfer 2) Granted 70% ad hoc COLA

CITY OF WATAUGA, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and franchise fees	\$ 8,207,000	\$ 8,207,000	\$ 8,549,781	\$ 342,781
Licenses and permits	285,000	285,000	285,258	258
Charges for services	755,000	755,000	748,687	(6,313)
Fines and forfeitures	693,800	693,800	758,723	64,923
Interest income	8,300	8,300	12,967	4,667
Intergovernmental	496,500	496,500	458,232	(38,268)
Miscellaneous	186,300	186,300	205,448	19,148
Total Revenues	<u>10,631,900</u>	<u>10,631,900</u>	<u>11,019,096</u>	<u>387,196</u>
Expenditures				
Current:				
Administration	207,300	231,800	222,769	9,031
Non-departmental	1,460,900	1,651,400	1,388,910	262,490
Human resources	144,700	147,200	140,972	6,228
Finance	707,800	720,300	698,105	22,195
MIS	372,500	377,000	362,718	14,282
Library	850,600	864,600	834,910	29,690
Recreation and community services	571,100	580,100	559,977	20,123
Police	3,082,500	3,174,500	3,122,548	51,952
Fire/EMS	2,088,500	2,130,500	1,999,039	131,461
Public works	1,013,250	1,047,250	916,993	130,257
Fleet maintenance	162,000	165,000	152,941	12,059
Buildings	758,300	765,300	762,786	2,514
Total Expenditures	<u>11,419,450</u>	<u>11,854,950</u>	<u>11,162,668</u>	<u>692,282</u>
Excess (deficiency) of revenues over expenditures	<u>(787,550)</u>	<u>(1,223,050)</u>	<u>(143,572)</u>	<u>1,079,478</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	15,000	15,000	17,589	2,589
Transfers in	560,700	560,700	434,270	(126,430)
Transfers out	(502,000)	(502,000)	(502,000)	-
Total other financing sources and uses	<u>73,700</u>	<u>73,700</u>	<u>(50,141)</u>	<u>(123,841)</u>
Net change in fund balances	(713,850)	(1,149,350)	(193,713)	955,637
Fund balance, beginning of year	6,036,710	6,036,710	6,036,710	-
Fund balance, end of year	<u>\$ 5,322,860</u>	<u>\$ 4,887,360</u>	<u>\$ 5,842,997</u>	<u>\$ 955,637</u>

CITY OF WATAUGA, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION
Year Ended September 30, 2015

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 Manager 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.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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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.

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, 2015**

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	\$ 283,845	\$ 103,061	\$ 11,490	\$ 19,483	\$ 54,508	\$ 60,660	\$ 190,044
Investments	271,111	928,235	11,341	19,231	51,826	59,873	-
Accounts receivable	132,010	261,747	139	40	109	126	-
Prepays and deposits	10,763	12,740	-	13	-	257	2,248
Total assets	\$ 697,729	\$ 1,305,783	\$ 22,970	\$ 38,767	\$ 106,443	\$ 120,916	\$ 192,292
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 2,440	\$ 9,091	\$ -	\$ -	\$ 140	\$ -	\$ 176,039
Accrued liabilities	12,371	50,750	106	797	-	407	10,923
Total liabilities	14,811	59,841	106	797	140	407	186,962
FUND BALANCES							
Non-spendable							
Prepaid items	10,763	12,740		13		257	2,248
Restricted							
Capital acquisitions and contractual obligations	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Culture and recreation	672,155	-	22,864	-	-	-	-
Public works	-	-	-	-	-	-	-
Public safety	-	1,233,202	-	37,957	106,303	120,252	3,082
Total Fund Balances	682,918	1,245,942	22,864	37,970	106,303	120,509	5,330
Total Liabilities and Fund Balances	\$ 697,729	\$ 1,305,783	\$ 22,970	\$ 38,767	\$ 106,443	\$ 120,916	\$ 192,292

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	\$ 266,680	\$ 989,891	\$ 2,787	\$ 263,299	\$ 2	\$ 263,301	\$ 1,255,979
-	263,221	1,604,838	-	259,884	-	259,884	1,864,722
-	131,994	526,165	-	545	-	545	526,710
-	-	26,021	-	-	-	-	26,021
<u>\$ 120</u>	<u>\$ 661,895</u>	<u>\$ 3,146,915</u>	<u>\$ 2,787</u>	<u>\$ 523,728</u>	<u>\$ 2</u>	<u>\$ 523,730</u>	<u>\$ 3,673,432</u>
\$ -	\$ 7,037	\$ 194,747	\$ -	\$ -	\$ -	\$ -	\$ 194,747
-	-	75,354	-	-	-	-	75,354
-	7,037	270,101	-	-	-	-	270,101
		-					
		26,021		-	-	-	26,021
-	-	-	-	523,728	2	523,730	523,730
-	-	-	2,787	-	-	-	2,787
120	-	695,139	-	-	-	-	695,139
-	654,858	654,858	-	-	-	-	654,858
-	-	1,500,796	-	-	-	-	1,500,796
<u>120</u>	<u>654,858</u>	<u>2,876,814</u>	<u>2,787</u>	<u>523,728</u>	<u>2</u>	<u>523,730</u>	<u>3,403,331</u>
<u>\$ 120</u>	<u>\$ 661,895</u>	<u>\$ 3,146,915</u>	<u>\$ 2,787</u>	<u>\$ 523,728</u>	<u>\$ 2</u>	<u>\$ 523,730</u>	<u>\$ 3,673,432</u>

CITY OF WATAUGA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2015

	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	\$ 784,142	\$ 1,552,381	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	540,174
Interest income	1,136	561	46	83	230	253	-
Miscellaneous	-	47,143	7,848	14,121	20,240	25,216	-
Total revenues	<u>785,278</u>	<u>1,600,085</u>	<u>7,894</u>	<u>14,204</u>	<u>20,470</u>	<u>25,469</u>	<u>540,174</u>
Expenditures							
Current:							
Public safety	-	1,368,253	-	17,122	1,814	13,763	547,914
Culture and recreation	596,121	-	1,624	-	-	-	-
Public works	-	-	-	-	-	-	-
Capital outlay	-	8,684	-	-	19,866	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total Expenditures	<u>596,121</u>	<u>1,376,937</u>	<u>1,624</u>	<u>17,122</u>	<u>21,680</u>	<u>13,763</u>	<u>547,914</u>
Excess (deficiency) of revenues over expenditures	<u>189,157</u>	<u>223,148</u>	<u>6,270</u>	<u>(2,918)</u>	<u>(1,210)</u>	<u>11,706</u>	<u>(7,740)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of assets	4,418	3,409	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(240,400)	(103,500)	-	-	-	-	-
Total other financing sources (uses)	<u>(235,982)</u>	<u>(100,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(46,825)</u>	<u>123,057</u>	<u>6,270</u>	<u>(2,918)</u>	<u>(1,210)</u>	<u>11,706</u>	<u>(7,740)</u>
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 682,918</u>	<u>\$ 1,245,942</u>	<u>\$ 22,864</u>	<u>\$ 37,970</u>	<u>\$ 106,303</u>	<u>\$ 120,509</u>	<u>\$ 5,330</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
\$ -	\$ 775,674	\$ 3,112,197	\$ -	\$ -	\$ -	\$ -	\$ 3,112,197
-	-	540,174	-	-	-	-	540,174
-	1,224	3,533	24	1,156	-	1,156	4,713
-	-	114,568	-	-	-	-	114,568
-	<u>776,898</u>	<u>3,770,472</u>	<u>24</u>	<u>1,156</u>	<u>-</u>	<u>1,156</u>	<u>3,771,652</u>
-	-	1,948,866	-	-	-	-	1,948,866
-	-	597,745	-	-	-	-	597,745
-	100,005	100,005	-	-	-	-	100,005
-	443,209	471,759	-	289,795	-	289,795	761,554
-	-	-	415,000	-	-	-	415,000
-	-	-	4,552	-	-	-	4,552
-	<u>543,214</u>	<u>3,118,375</u>	<u>419,552</u>	<u>289,795</u>	<u>-</u>	<u>289,795</u>	<u>3,827,722</u>
-	<u>233,684</u>	<u>652,097</u>	<u>(419,528)</u>	<u>(288,639)</u>	<u>-</u>	<u>(288,639)</u>	<u>(56,070)</u>
-	-	7,827	-	-	-	-	7,827
-	-	-	186,700	-	-	-	186,700
-	-	(343,900)	-	-	-	-	(343,900)
-	-	(336,073)	186,700	-	-	-	(149,373)
-	233,684	316,024	(232,828)	(288,639)	-	(288,639)	(205,443)
120	421,174	2,560,790	235,615	812,367	2	812,369	3,608,774
<u>\$ 120</u>	<u>\$ 654,858</u>	<u>\$ 2,876,814</u>	<u>\$ 2,787</u>	<u>\$ 523,728</u>	<u>\$ 2</u>	<u>\$ 523,730</u>	<u>\$ 3,403,331</u>

CITY OF WATAUGA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
WPDC SALES TAX SPECIAL REVENUE FUND
Year Ended September 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 714,000	\$ 714,000	\$ 784,142	\$ 70,142
Investment income	500	500	1,136	636
Total Revenues	<u>714,500</u>	<u>714,500</u>	<u>785,278</u>	<u>70,778</u>
Expenditures				
Current:				
Culture and recreation	743,500	743,500	596,121	147,379
Total Expenditures	<u>743,500</u>	<u>743,500</u>	<u>596,121</u>	<u>147,379</u>
Excess (deficiency) of revenues over expenditures	<u>(29,000)</u>	<u>(29,000)</u>	<u>189,157</u>	<u>218,157</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	4,418	-
Transfers out	<u>(240,400)</u>	<u>(240,400)</u>	<u>(240,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>(240,400)</u>	<u>(240,400)</u>	<u>(235,982)</u>	<u>4,418</u>
Net change in fund balances	(269,400)	(269,400)	(46,825)	222,575
Fund balances, beginning of year	<u>729,743</u>	<u>729,743</u>	<u>729,743</u>	<u>-</u>
Fund balances, end of year	<u>\$ 460,343</u>	<u>\$ 460,343</u>	<u>\$ 682,918</u>	<u>\$ 222,575</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 1,428,000	\$ 1,428,000	\$ 1,552,381	\$ 124,381
Interest income	500	500	561	61
Miscellaneous	37,000	37,000	47,143	10,143
Total revenues	<u>1,465,500</u>	<u>1,465,500</u>	<u>1,600,085</u>	<u>134,585</u>
Expenditures				
Current:				
Public safety	1,450,300	1,450,300	1,368,253	82,047
Capital Outlay	15,000	15,000	8,684	6,316
Total expenditures	<u>1,465,300</u>	<u>1,465,300</u>	<u>1,376,937</u>	<u>88,363</u>
Excess (deficiency) of revenues over expenditures	<u>200</u>	<u>200</u>	<u>223,148</u>	<u>222,948</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	3,409	(3,409)
Transfers out	<u>(103,500)</u>	<u>(103,500)</u>	<u>(103,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(103,500)</u>	<u>(103,500)</u>	<u>(100,091)</u>	<u>(3,409)</u>
Net change in fund balances	(103,300)	(103,300)	123,057	226,357
Fund balances, beginning of year	<u>1,122,885</u>	<u>1,122,885</u>	<u>1,122,885</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,019,585</u>	<u>\$ 1,019,585</u>	<u>\$ 1,245,942</u>	<u>\$ 226,357</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, 2015

	<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	\$ 46	\$ 6
Miscellaneous	11,000	11,000	7,848	(3,152)
Total Revenues	<u>11,040</u>	<u>11,040</u>	<u>7,894</u>	<u>(3,146)</u>
Expenditures				
Current:				
Culture and recreation	13,830	13,830	1,624	12,206
Total expenditures	<u>13,830</u>	<u>13,830</u>	<u>1,624</u>	<u>12,206</u>
Net change in fund balances	(2,790)	(2,790)	6,270	9,060
Fund balances, beginning of year	<u>16,594</u>	<u>16,594</u>	<u>16,594</u>	<u>-</u>
Fund balances, end of year	<u>\$ 13,804</u>	<u>\$ 13,804</u>	<u>\$ 22,864</u>	<u>\$ 9,060</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 83	\$ 83
Other	18,000	18,000	14,121	(3,879)
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>14,204</u>	<u>(3,796)</u>
Expenditures				
Current:				
Public safety	17,900	17,900	17,122	778
Total Expenditures	<u>17,900</u>	<u>17,900</u>	<u>17,122</u>	<u>778</u>
Net change in fund balances	100	100	(2,918)	(3,018)
Fund balances, beginning of year	<u>40,888</u>	<u>40,888</u>	<u>40,888</u>	<u>-</u>
Fund balances, end of year	<u>\$ 40,988</u>	<u>\$ 40,988</u>	<u>\$ 37,970</u>	<u>\$ (3,018)</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, 2015

	<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	\$ 230	\$ 80
Miscellaneous	20,900	20,900	20,240	(660)
Total revenues	<u>21,050</u>	<u>21,050</u>	<u>20,470</u>	<u>(580)</u>
Expenditures				
Current:				
Public safety	4,000	4,000	1,814	2,186
Capital Outlay	-	20,000	19,866	134
Total expenditures	<u>4,000</u>	<u>24,000</u>	<u>21,680</u>	<u>2,320</u>
Net change in fund balances	17,050	(2,950)	(1,210)	1,740
Fund balances, beginning of year	<u>107,513</u>	<u>107,513</u>	<u>107,513</u>	<u>-</u>
Fund balances, end of year	<u>\$ 124,563</u>	<u>\$ 104,563</u>	<u>\$ 106,303</u>	<u>\$ 1,740</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, 2015

	<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	\$ 253	\$ 153
Other	26,500	26,500	25,216	(1,284)
Total Revenues	<u>26,600</u>	<u>26,600</u>	<u>25,469</u>	<u>(1,131)</u>
Expenditures				
Current:				
Public safety	17,500	17,500	13,763	3,737
Total expenditures	<u>17,500</u>	<u>17,500</u>	<u>13,763</u>	<u>3,737</u>
Net change in fund balances	9,100	9,100	11,706	2,606
Fund balances, beginning of year	<u>108,803</u>	<u>108,803</u>	<u>108,803</u>	<u>-</u>
Fund balances at year end	<u><u>\$ 117,903</u></u>	<u><u>\$ 117,903</u></u>	<u><u>\$ 120,509</u></u>	<u><u>\$ 2,606</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Sales taxes	\$ 714,000	\$ 721,000	\$ 775,674	\$ 54,674
Investment earnings	-	-	1,224	1,224
Total revenues	<u>714,000</u>	<u>721,000</u>	<u>776,898</u>	<u>55,898</u>
Expenditures				
Public works	100,000	100,000	100,005	(5)
Capital outlay	500,000	500,000	443,209	56,791
Total expenditures	<u>600,000</u>	<u>600,000</u>	<u>543,214</u>	<u>56,786</u>
Net change in fund balance	<u>114,000</u>	<u>121,000</u>	<u>233,684</u>	<u>112,684</u>
Fund balances, beginning of year	<u>421,174</u>	<u>421,174</u>	<u>421,174</u>	<u>-</u>
Fund balances at year end	<u>\$ 535,174</u>	<u>\$ 542,174</u>	<u>\$ 654,858</u>	<u>\$ 112,684</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, 2015

	<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	\$ 700,000	\$ 700,000	\$ 540,174	\$ (159,826)
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>540,174</u>	<u>(159,826)</u>
Expenditures				
Current:				
Public safety	734,200	734,200	547,914	186,286
Total expenditures	<u>734,200</u>	<u>734,200</u>	<u>547,914</u>	<u>186,286</u>
Excess (deficiency) of revenues over expenditures	<u>(34,200)</u>	<u>(34,200)</u>	<u>(7,740)</u>	<u>26,460</u>
Net change in fund balances	(34,200)	(34,200)	(7,740)	26,460
Fund balances, beginning of year	<u>13,070</u>	<u>13,070</u>	<u>13,070</u>	<u>-</u>
Fund balances at year end	<u>\$ (21,130)</u>	<u>\$ (21,130)</u>	<u>\$ 5,330</u>	<u>\$ 26,460</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, 2015

	<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	\$ 1,701,167	\$ 1,701,167	\$ 1,796,995	\$ 95,828
Penalties and interest	12,000	12,000	12,745	745
Interest income	800	800	342	(458)
Total revenues	<u>1,713,967</u>	<u>1,713,967</u>	<u>1,810,082</u>	<u>96,115</u>
Expenditures				
Debt service				
Principal	1,380,000	1,380,000	1,380,000	-
Interest	405,695	405,695	395,817	9,878
Total expenditures	<u>1,785,695</u>	<u>1,785,695</u>	<u>1,775,817</u>	<u>9,878</u>
Excess (deficiency) of revenues over expenditures	<u>(71,728)</u>	<u>(71,728)</u>	<u>34,265</u>	<u>86,237</u>
Net change in fund balances	(71,728)	(71,728)	34,265	105,993
Fund balances, beginning of year	<u>305,222</u>	<u>305,222</u>	<u>305,222</u>	<u>-</u>
Fund balances at year end	<u>\$ 233,494</u>	<u>\$ 233,494</u>	<u>\$ 339,487</u>	<u>\$ 105,993</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, 2015

	Budget Amounts		Actual Amounts	Variance Positive / (Negative)
	Original Budget	Final Budget		
Revenues				
Interest income	\$ 470	\$ 470	\$ 24	\$ (446)
Total revenues	<u>470</u>	<u>470</u>	<u>24</u>	<u>(446)</u>
Expenditures				
Debt service				
Principal	415,000	415,000	415,000	-
Interest	<u>7,920</u>	<u>7,920</u>	4,552	3,368
Total expenditures	<u>422,920</u>	<u>422,920</u>	<u>419,552</u>	<u>3,368</u>
Excess (deficiency) of revenues over expenditures	<u>(422,450)</u>	<u>(422,450)</u>	<u>(419,528)</u>	<u>2,922</u>
Other financing sources (uses)				
Transfers in	<u>186,700</u>	<u>186,700</u>	<u>186,700</u>	-
Total other financing sources (uses)	<u>186,700</u>	<u>186,700</u>	<u>186,700</u>	-
Net change in fund balances	(235,750)	(235,750)	(232,828)	2,922
Fund balances, beginning of year	<u>235,615</u>	<u>235,615</u>	<u>235,615</u>	-
Fund balances at year end	<u>\$ (135)</u>	<u>\$ (135)</u>	<u>\$ 2,787</u>	<u>\$ 2,922</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)

	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 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	\$ 36,792,569
Restricted	60,039	367,219	482,624	580,384	489,133	714,041	439,660	478,895	534,026	295,177
Unrestricted	6,958,326	7,951,823	7,027,793	8,390,973	8,145,817	9,300,712	7,569,861	6,506,337	6,995,208	4,513,351
Total governmental activities net position	\$ 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	\$ 41,601,097
Business-type activities										
Net investment in capital assets	\$ 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	\$ 21,545,419
Restricted	32,120	204,791	487,762	32,326	36,788	38,565	58,469	71,731	87,591	18,283
Unrestricted	5,239,749	5,018,055	4,702,911	5,072,765	4,383,221	8,059,411	4,053,800	5,337,852	5,506,717	4,493,409
Total business-type activities net position	\$ 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	\$ 26,057,111
Primary government										
Net investment in capital assets	\$ 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	\$ 58,337,988
Restricted	92,159	572,010	970,386	612,710	525,921	752,606	498,129	550,626	621,617	313,460
Unrestricted	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	9,006,760
Total primary government net position	\$ 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	\$ 67,658,208

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)

	<u>2006 (1)</u>	<u>2007 (1)</u>	<u>2008 (1)</u>	<u>2009 (1)</u>	<u>2010 (1)</u>	<u>2011 (1)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental activities:										
General government:										
Public Safety	\$ 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	\$ 5,928,568
Public Works	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	5,430,215
Capital Outlay	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	1,315,752
Culture and recreation	479,000	-	-	-	-	-	-	-	-	-
Interest on long-term debt	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	3,077,296
Total governmental activities expenses	690,563	675,444	661,324	679,483	560,285	471,940	755,827	496,694	364,167	446,308
Business-type activities:	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	16,198,139
Water and Sewer	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	7,232,341
Drainage Utility	848,280	923,988	877,922	901,079	843,690	914,987	1,080,620	1,152,248	1,087,378	946,494
Total business-type activities expenses	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	8,178,835
Total primary government expenses	\$ 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	\$ 24,376,974
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for services:										
General Government	\$ 11,176	\$ 84,299	\$ 87,993	\$ 102,044	\$ 212,514	\$ 320,960	\$ 90,425	\$ 133,938	\$ 125,385	\$ 123,006
Public Safety	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	1,799,906
Public Works	344,133	436,199	438,719	434,925	214,136	244,236	456,805	430,403	489,628	468,706
Culture and recreation	234,083	247,893	214,755	220,824	390,920	442,579	233,136	254,023	273,498	272,611
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	110,066	105,464	68,346	64,747	62,761	20,646	16,909	20,088	16,438	13,959
Capital grants and contributions	-	-	-	-	161,482	168,941	-	209,350	-	-
Total governmental activities program revenues	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	2,678,188
Business-type activities:										
Charges for services:										
Water and Sewer	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	7,877,670
Drainage Utility	693,043	693,611	696,073	698,711	700,295	702,665	1,296,024	1,413,708	1,416,053	1,419,324
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	16	-
Total business-type activities program revenues	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	9,296,994
Total primary government program revenues	\$ 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	\$ 11,975,182

Table 2
(continued)

CITY OF WATAUGA
CHANGES IN NET POSITION, LAST TENTHSCAL YEARS

(accrual basis of accounting)
(Unaudited)

	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (10,962,262)	\$ (10,576,643)	\$ (11,765,603)	\$ (11,666,983)	\$ (11,456,229)	\$ (12,268,063)	\$ (13,216,167)	\$ (12,735,574)	\$ (13,067,072)	\$ (13,519,951)
Business-type activities	1,072,208	790,276	517,933	621,372	279,123	629,195	1,978,686	1,918,889	1,807,203	1,118,159
Total primary government net expense	\$ (9,890,054)	\$ (9,786,367)	\$ (11,247,670)	\$ (11,045,611)	\$ (11,177,106)	\$ (11,638,868)	\$ (11,237,481)	\$ (10,816,685)	\$ (11,259,869)	\$ (12,401,792)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 5,943,335
Franchise taxes	964,868	940,273	954,692	1,033,043	1,039,844	1,216,628	1,090,651	1,065,054	1,125,164	1,184,339
Sales taxes	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	6,284,432
Penalties and Interest	49,306	46,461	57,424	44,683	44,805	40,246	39,239	33,006	32,724	42,000
Payments in lieu of taxes	353,623	357,899	370,387	371,890	360,928	370,075	460,537	471,721	469,219	458,232
Investment earnings	623,908	817,791	568,060	280,729	69,855	38,733	32,675	25,392	10,763	29,030
Gain on Sale of Assets	-	-	-	(6,747)	-	-	-	-	-	-
Miscellaneous	23,078	-	-	-	-	-	15,828	43,872	51,317	26,435
Transfers	149,112	357,899	370,388	34,662	360,928	370,155	460,537	471,721	469,219	578,070
Total governmental activities	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	14,545,873
Business-type activities:										
Investment earnings	234,956	310,789	201,460	110,910	24,115	13,860	8,256	5,613	3,384	21,017
Miscellaneous revenue	-	-	-	-	-	-	39,865	0	36,608	9,196
Transfers	(149,112)	(357,899)	(370,388)	(34,662)	(360,928)	(370,155)	(460,537)	(471,721)	(469,219)	(578,070)
Total business-type activities	85,844	(47,110)	(168,928)	76,248	(336,813)	(356,295)	(452,281)	(466,108)	(429,227)	(547,857)
Total primary government	\$ 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	\$ 13,998,016
Change in Net Position										
Governmental activities	\$ 1,670,520	\$ 2,708,726	\$ 1,836,049	\$ 1,042,925	\$ 1,513,008	\$ 1,021,317	\$ 258,855	\$ 677,935	\$ 776,632	\$ 1,025,922
Business-type activities	1,158,052	743,166	349,005	697,620	(57,690)	272,900	1,526,405	1,452,781	1,377,976	570,302
Total primary government	\$ 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	\$ 1,596,224

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)

	2006	2007	2008	2009	2010	2011**	2012	2013	2014	2015
General Fund										
Non-spendable										
Inventories										
Prepaid										
Assigned										
Other purposes							30,512	-	-	-
Unassigned						6,136,979	5,584,021	5,516,922	5,914,070	5,734,435
Total general fund**						\$ 6,193,957	\$ 5,645,602	\$ 5,541,706	\$ 6,036,710	\$ 5,842,997
Reserved*										
Unreserved	\$ 5,258,923	\$ 6,025,394	\$ 6,457,507	\$ 6,690,658	\$ 6,339,861					
Total general fund	\$ 5,258,923	\$ 6,025,394	\$ 6,457,507	\$ 6,690,658	\$ 6,367,731					
All Other Governmental Funds										
Non-spendable						\$ 789,450			\$ 7,770	\$ 26,021
Prepaid items										
Restricted										
Capital acquisitions and contractual obligations							2,976,396	2,356,746	5,239,060	4,076,280
Debt service						5,179,695	469,446	485,087	540,837	342,274
Culture and recreation						444,941	1,933,581	914,222	742,157	695,139
Public Works						1,979,061	-	210,288	421,174	654,858
Public Safety						-	1,222,484	1,345,927	1,389,689	1,500,796
Total all other governmental funds						\$ 10,427,996	\$ 6,601,907	\$ 5,312,270	\$ 8,340,687	\$ 7,295,368
Reserved	\$ 323,753	\$ 453,327	\$ 570,496	\$ 684,739	\$ 574,998					
Unreserved, reported in:										
Special revenue funds	1,826,624	2,210,412	2,074,940	2,627,994	2,922,789					
Capital projects funds	5,522,062	8,625,216	6,280,220	3,862,015	4,006,543					
Debt service funds										
Total all other governmental funds	\$ 7,672,439	\$ 11,288,955	\$ 8,925,656	\$ 7,174,748	\$ 7,504,330					

Note: *Includes encumbrances and prepaid items
 ** Beginning 2011, fund balances are reported using GASB 54 classifications
 Source: Comprehensive Annual Financial Reports

Table 4

CITY OF WATAUGA
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<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>	<u>2015</u>
Revenues										
Taxes	\$ 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	\$ 13,471,718
Licenses, fees and permits	210,283	264,952	268,657	257,159	218,013	262,778	270,716	250,579	309,592	285,258
Fines and penalties	505,965	542,368	609,945	646,535	699,238	680,564	664,507	625,613	777,747	748,687
Charges for services	463,487	546,759	709,477	701,608	884,038	1,439,291	1,593,653	1,351,756	1,396,063	1,298,897
Special assessments	-	-	-	-	-	-	-	-	-	-
Intergovernmental	399,137	357,899	370,387	371,890	360,928	370,075	460,537	471,721	469,219	458,232
Investment earnings	623,911	817,789	568,060	280,729	69,855	37,640	32,208	24,871	10,252	26,987
Other revenues	250,326	360,742	278,511	292,247	544,859	648,553	262,839	511,617	306,504	320,016
Total revenues	13,968,517	14,640,488	14,948,109	14,564,942	14,966,315	15,962,196	15,748,590	15,644,042	16,092,042	16,609,795
Expenditures										
General government	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	5,728,240
Public Safety	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	5,071,414
Public Works	661,803	642,947	721,456	744,743	741,395	776,906	876,295	910,769	889,230	1,016,998
Parks and recreation	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	1,992,632

Table 4
(continued)

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

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<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>	<u>2015</u>
Capital outlay	\$ 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	\$ 1,771,807
Debt service										
Interest	627,935	568,442	608,920	608,335	550,788	591,733	558,491	529,045	484,055	428,072
Principal	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	1,850,150
Total expenditures	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	17,859,313
Excess of revenues over (under) expenditures	(876,585)	(244,610)	(2,470,587)	(1,552,419)	(354,273)	(2,970,249)	(4,850,809)	(1,924,037)	(472,386)	(1,249,518)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	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	-	(45,718)	-	-	-	-	-	-	-	-
Sale of Asset	-	-	-	-	-	47,931	15,828	13,076	222,531	25,416
Transfers in	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	990,970
Transfers out	(1,332,329)	(1,465,641)	(2,079,017)	(629,510)	(2,014,362)	(765,340)	(1,542,480)	(1,398,836)	(576,300)	(1,095,900)
Total other financing sources (uses)	149,112	3,792,966	370,388	34,662	360,928	5,720,141	476,365	530,504	4,085,807	(79,514)
Net change in fund balances	\$ (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	\$ (1,329,032)
Debt service as a percentage of noncapital expenditures	17.7%	16.7%	15.2%	15.6%	15.2%	14.2%	16.0%	13.5%	13.6%	14.0%

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: Tax-Exempt Property	Total Taxable Assessed Value ^a	Total Direct Tax Rate
	Real Property	Personal Property	Property				
2006	\$ 1,000,642,257	\$ 60,878,118	\$ 1,061,520,375	\$ 75,871,741	\$ 985,648,634	0.580763	
2007	1,022,670,335	61,743,271	1,084,413,606	84,469,429	999,944,177	0.580763	
2008	1,040,261,804	62,689,353	1,102,951,157	86,640,804	1,016,310,353	0.580763	
2009	1,049,378,376	62,631,471	1,112,009,847	84,725,733	1,027,284,114	0.580763	
2010	1,039,914,283	59,970,228	1,099,884,511	92,105,295	1,007,779,216	0.580763	
2011	1,009,121,712	58,195,469	1,067,317,181	95,532,598	971,784,583	0.580763	
2012	999,533,945	62,820,983	1,062,354,928	98,182,457	964,172,471	0.589001	
2013	1,000,809,690	59,216,606	1,060,026,296	100,655,583	959,370,713	0.591216	
2014	1,000,519,629	59,016,802	1,059,536,431	103,068,099	956,468,332	0.591216	
2015	1,061,590,252	60,822,613	1,122,412,865	105,745,517	1,016,667,348	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	Obligation Debt		Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County		Tarrant County		Combined Rates	
		Service	Debt				Hospital	College	KISD	BISD		
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		
2015	0.412887	0.178329	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)

	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value a)	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value b)
<u>Taxpayer</u>						
Inland Western Watauga Lp	\$ 33,131,330	1	3.26%	\$ 37,677,020	1	3.82%
Watauga Towne Crossing LLC	25,226,050	2	2.48%	19,013,971	2	1.93%
Dayton Hudson Corp.	9,800,000	3	0.96%	10,788,432	3	1.09%
Sci Watauga Town Ctr Fund Etal	9,660,000	4	0.95%	10,030,395	4	1.02%
Park Vista Townhomes Etal	9,069,086	5	0.89%	9,414,295	5	0.96%
Oncor Electric Delivery Co Llc	7,586,175	7	0.75%	9,157,811	6	0.93%
Target Stores	5,580,924	6	0.55%	7,665,786	7	0.78%
Southwestern Bell	5,425,910	8	0.53%	7,126,780	8	0.72%
Watauga All Storage	5,344,661	9	0.53%	5,945,184	9	0.60%
Watauga Association	4,200,000	10	0.41%	4,270,499	10	0.43%
Total	\$ 115,024,136		11.31%	\$ 121,090,173		12.29%

Source: Tarrant Central Appraisal District

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

NOTE:

- a) Total taxable value including real and personal property for tax year 2015 (FY 2014-15) is \$1,016,667,348
- b) Total taxable value including real and personal property for tax year 2006 (FY 2005-2006) is \$985,648,634

Table 8

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

Fiscal Year	Taxes Levied for the		Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the		Collected within the		Collections in Subsequent		Total Collections to Date	
	Fiscal Year	Fiscal Year		Fiscal Year	Fiscal Year	Fiscal Year of the Levy	Percentage of Levy	Years	Amount	Amount	Percentage of Levy
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)	(11,019)	5,781,247	5,710,143	98.77%		61,312	5,771,455	99.83%	
2008	5,909,897	(26,768)	(26,768)	5,883,129	5,846,868	99.38%		24,898	5,871,766	99.81%	
2009	6,022,386	(17,925)	(17,925)	6,004,461	5,951,703	99.12%		39,074	5,990,777	99.48%	
2010	5,974,330	(2,486)	(2,486)	5,971,844	5,914,614	99.04%		41,577	5,956,191	99.70%	
2011	5,644,747	(1,251)	(1,251)	5,643,496	5,590,780	99.07%		30,487	5,621,267	99.58%	
2012	5,655,637	(3,438)	(3,438)	5,652,199	5,602,319	99.12%		24,630	5,626,949	99.55%	
2013	5,644,682	(6,692)	(6,692)	5,637,990	5,596,849	99.27%		18,983	5,596,849	99.27%	
2014	5,684,546	(5,751)	(5,751)	5,678,795	5,622,210	99.00%		37,135	5,622,210	99.00%	
2015	5,950,064	-	-	5,950,064	5,903,688	99.22%		n/a	5,903,688	99.22%	

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
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
2015	8,208	659,047,433	4,184,780

*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, 2015
(Unaudited)

Customer Name	Gallons	Dollars		Total
	Consumed (000)	Billed	Total	
Western Rim Properties	19,146	\$ 73,380	2.91%	1.75%
Daybreak Venture	6,699	40,770	1.02%	0.97%
Denton Hwy Laundromat	3,378	20,659	0.51%	0.49%
Kwik Kar Wash	2,151	13,104	0.33%	0.31%
Milan Jariwala	1,944	11,955	0.29%	0.29%
BISD045-02	1,761	10,882	0.27%	0.26%
BISD045-01	1,747	10,794	0.27%	0.26%
Watauga 377, LLC	1,729	10,655	0.26%	0.25%
BISD 113	1,478	9,118	0.22%	0.22%
Pei Wei Asian Diner	1,477	9,160	0.22%	0.22%
Top Ten Total	41,510	\$ 210,477	6.30%	5.03%
City Total	659,047	\$ 4,184,780		

Table 11

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income ^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			
2006	\$ 5,995,000	\$ 6,630,000	\$ 1,845,000	\$ -	\$ -	\$ 2,875,000	\$ 6,985,000	\$ 1,615,000	\$ -	\$ 25,945,000	4.56%	1,083	
2007	5,340,000	9,505,000	1,680,000	-	-	2,645,000	6,940,000	860,000	-	26,970,000	4.64%	1,119	
2008	4,860,000	8,765,000	1,515,000	-	900,080	0	8,730,000	660,000	-	25,430,080	4.51%	1,053	
2009	4,365,000	7,260,000	1,340,000	-	857,731	-	7,790,000	450,000	-	22,062,731	3.73%	910	
2010	3,965,000	7,090,000	1,165,000	-	813,476	-	6,815,000	230,000	111,599	20,078,476	3.38%	825	
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%	1,007	
2012	3,190,000	9,895,000	800,000	74,400	718,903	-	4,740,000	10,380,000	519,658	29,798,303	5.03%	1,268	
2013	4,950,000	6,940,000	610,000	68,826	668,400	-	3,630,000	9,950,000	477,594	26,817,226	5.05%	1,106	
2014	4,430,000	9,620,000	415,000	156,516	615,629	-	2,480,000	9,505,000	435,530	27,222,145	5.14%	1,159	
2015	3,745,000	8,925,000	-	146,123	560,479	-	1,275,000	9,050,000	393,467	23,701,602	4.36%	1,016	

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	Unamortized Bond Premium				
	\$	\$	\$	\$	\$	\$	\$				
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	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	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	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	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	435,530	26,627,046	2.78%	1,133	
2015	3,745,000	8,925,000	146,123	1,275,000	9,050,000	393,467	393,467	23,534,590	2.31%	1,009	

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, 2015
(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	\$ 771,227,959	3.00%	\$ 23,136,839
Birdville Independent School District	256,161,620	7.29%	18,674,182
Tarrant County	333,795,000	0.75%	2,503,463
Tarrant County Hospital County	23,440,000	0.75%	175,800
Subtotal, overlapping debt			44,490,283
City direct debt			<u>13,376,602</u>
Total direct and overlapping debt			<u><u>\$ 57,866,885</u></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 Principal	Debt Service Interest	Coverage
			Operating Expenses ^b	Available Revenue				Operating Expenses	Available Revenue			
2006	\$ 7,371,716	\$ 5,160,165	\$ 2,211,551	\$ 136,630	6.20	\$ 1,268,980	\$ 770,821	\$ 498,159	\$ 160,000	\$ 56,536	2.30	
2007	6,582,387	4,867,495	1,714,892	127,290	4.80	1,298,971	601,253	697,718	165,000	52,386	3.21	
2008 ^d	7,006,217	5,264,881	1,741,336	61,230	0.64	1,351,870	716,715	635,155	165,000	48,880	2.97	
2009 ^d	-	-	-	-	-	1,265,352	627,100	638,252	175,000	44,946	2.90	
2010	-	-	-	-	-	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	
2015	-	-	-	-	-	789,696	596,121	193,575	415,000	4,052	0.46	

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)
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%
2015	23,331	556,351	23,846	33.7	4,529	5.0%

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>	<u>2015</u>			<u>2006</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment(2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (3)</u>
Target	245	1	4.14%	230	2	3.57%
Birdville ISD	195	2	3.29%	189	4	2.93%
City of Watauga	190	3	3.21%	280	1	4.34%
Albertson's	176	4	2.97%	190	3	2.95%
Harvest Baptist	100	6	1.69%	122	6	1.89%
North Pointe Health & Rehab	92	5	1.55%	150	5	2.33%
Fresco's	60	7	1.01%	80	9	1.24%
Keller ISD	110	8	1.86%	90	7	1.40%
Cotton Patch Café	54	9	0.91%	80	8	1.24%
Chili's Grill & Bar	52	10	0.88%	50	10	0.78%
Total	1,274		21.50%	1,461		22.66%

Source:

- (1) Sites on Texas, Survey of American Cities, includes full-time and part-time employees, contacted individual employers for verification annually
- (2) For 2015, used NCTCOG estimates of 5925 obtained from the Bureau of Economic Analysis and U.S. Census Bureau, analyzed by NCTCOG.
- (3) For 2006 City Employment is estimated at 6447 obtained from Sites on Texas, Demographic data for 2006 by Experien /Applied Geographic Solutions

Table 17

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government and Administration	30.75	28.75	29.75	30.00	30.00	30.50	31.50	30.25	31.25	31.65
Public Safety										
Police Division	50.25	54.25	58.75	58.75	58.75	59.25	59.25	51.75	49.75	49.85
Fire/EMS Division	16.50	21.50	22.00	22.00	22.00	22.00	22.00	21.25	21.00	21.00
Culture and Recreational	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.25	9.25	8.50
Library	12.75	12.75	13.25	13.25	13.25	13.25	13.25	13.00	13.00	12.00
Water/Sewer/Drainage	33.75	33.75	33.75	33.75	33.75	34.25	34.25	36.00	36.00	33.25
Fleet Services	3.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Building	6.00	6.00	7.00	8.00	8.00	8.00	8.00	8.00	7.00	7.00
Parks Development	10.50	10.50	11.50	11.50	11.50	11.50	11.50	12.00	12.00	8.75 *
Total	174.00	181.00	190.50	191.75	191.75	193.25	194.25	185.50	182.25	175.00

Source: City Budget Office.

* Decreased positions due to a shift to contract labor in the Parks Department in fiscal year 2015.

Table 18

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

<u>Function/Program</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>	<u>2015</u>
Police										
Calls for Service	23,215	23,591	11,726	13,532	16,804	13,560	10,976	9,993	8,127	6,565
Municipal Citations Issued	9,656	10,468	15,115	8,792	11,963	17,122	17,074	13,576	8,650	7,961
Fire/EMS										
EMS Calls	1,110	1,202	1,375	966	1,082	836	1,043	1,011	675	1,133
EMS Average Response Time (min)	3.76	3.97	4.00	3.31	3.50	3.50	3.40	3.50	3.20	3.60
Ambulance Transports	753	806	1,030	743	870	698	848	845	846	946
Fire Calls	416	431	430	652	690	557	392	693	675	815
Fire Average Response Time (min)	4.25	4.10	4.00	3.58	2.58	4.70	4.80	4.60	4.80	413.00
Fire Inspections	60	65	75	198	269	106	136	181	460	329
Public Works										
Lane Miles Maintained	84	84	84	84	88	88	88	88	88	88
Miles of Curb and gutter maintained	168	168	168	168	168	168	176	176	176	176
Parks and recreation										
Park Acres Maintained	116	116	116	116	119	119	119	119	119	119
Athletic Fields Maintained	8	8	13	13	8	10	10	10	10	10
Community Center Memberships	1,800	2,300	2,800	1,267	1,372	1,237	1,320	1,272	1,271	1,063
Program/Class/League Attendance	87,351	40,741	77,000	56,430	40,938	65,282	91,244	41,775	71,542	46,720
Library										
Number of Programs Offered	437	355	380	655	693	842	853	1,086	1,155	1,144
Number of School Visits	11	8	8	18	8	13	36	57	63	64
Number of Books in Collection	52,415	58,147	62,131	62,150	65,517	67,614	65,289	73,592	78,990	80,361
Number of Media in Collection	15,013	12,037	14,007	15,247	16,389	17,199	16,700	18,806	20,806	20,719
Electronic Format Materials	13	58	58	85	53	53	54	52	55	52
Ebooks & Audiobooks	-	-	-	-	-	-	11,674.00	13,524	12,632	20,253
Water and Sewer										
Number of Water Consumers	8,202	8,133	8,195	8,181	8,162	8,199	8,169	8,200	8,196	8,508
Average daily consumption (mil gal)	3	2	2	2	2	2	2	2.3	2.1	2.2
Amnt of sewer line inspected (Linear Ft)	5,136	10,000	10,000	10,000	3,500	3,800	6,000	8,000	21,500	9,665

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

Table 19

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	12	12	12	11	12	12	12	12
Animal Control Facility	-	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	85.0	85.0	85.0	85.0	85.0	88.0	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	12	12	20
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	8	8	8	8	8	10	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)	85.0	85.0	85.0	85.0	85.0	85.0	85.0	85.0	88.0	88.0
Fire hydrants	620	620	620	620	620	620	620	620	650	649
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)	85	85	85	85	85	85	85	85	85	85

Sources: Various city departments.

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