NEW ISSUE **PRELIMINARY OFFICIAL STATEMENT** **Ratings:**
BOOK-ENTRY-ONLY **Dated: August 17, 2021** **Moody's: "____"**
(See "RATINGS" herein.)

In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to the matters described under "TAX MATTERS" herein.

$38,000,000*
CITY OF PFLUGERVILLE, TEXAS
(Travis and Williamson Counties, Texas)
LIMITED TAX BONDS, SERIES 2021

Dated: August 15, 2021 (interest to accrue from the Delivery Date) **Due: August 1, as show on page ii**

The $38,000,000* Limited Tax Bonds, Series 2021 (the "Bonds") are being issued by City of Pflugerville, Texas (the "City") pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1251 and 1331 of the Texas Government Code, as amended, the City Charter, an election held within the City on November 3, 2020, and an ordinance to be adopted by the City Council of City on the sale date of the Bonds (the "Ordinance"). See "THE BONDS – Authority for Issuance".

The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City as provided in the Ordinance. Interest on the Bonds will accrue from their date of delivery, currently anticipated to be September 21, 2021, and interest will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2022, until stated maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. See "THE BONDS – Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.

The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Principal of the Bonds will be payable by the paying agent/registrar (the "Paying Agent/Registrar"), initially U.S. Bank National Association, Dallas, Texas, to Cede & Co., as nominee of DTC. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer relating to the Bonds. DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interest in the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. So long as the Bonds are in Book-Entry-Only form, and DTC is the securities depository therefor, Cede & Co., as nominee for DTC, will be the registered owner of the Bonds and references herein to registered owners shall mean Cede & Co. and not the beneficial owners of the Bonds.

Proceeds from the sale of the Bonds will be used for (i) constructing, improving, extending, expanding, upgrading and/or developing transportation projects comprised of City intersection improvements, City neighborhood street reconstruction, Immanuel Road, FM 685 corridor improvements, SH 45 frontage roads, Kelly Lane, Pfluger Farm Lane North, Main Street, Central Commerce Drive, Picadilly Drive, Weiss Lane extension/realignment with Cameron Road, East Pflugerville Parkway and East Pecan Street, including utility relocation, sidewalks, traffic safety and operational improvements, the purchase of any necessary rights-of-way, design costs and related drainage and other related costs, (ii) constructing, improving, extending, expanding, upgrading and/or developing parks and recreation projects comprised of trail improvements, neighborhood parks, land acquisition, Lake Pflugerville, 1849 Park, and destination play space, including design costs and related drainage and other related costs, (iii) constructing, improving, extending, expanding, upgrading and/or developing a recreation and senior center, including design costs and related drainage and other related costs, and (iv) paying the costs of issuance of the Bonds. See "THE BONDS – Purpose".

The City reserves the right, at its option, to redeem Bonds maturing August 1, _____ and thereafter, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof on August 1, ________ or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

SEE MATURITY SCHEDULES ON PAGES II

The Bonds are offered for delivery when, as and if issued and received by the Underwriters subject to the approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about September 21, 2021 (the "Delivery Date").

UMB BANK, N.A. **THE BAKER GROUP LP**
ESTRADA HINOJOSA **UBS**

* Preliminary, subject to change.

BASE CUSIP NO [1]: 717087

MATURITY SCHEDULE

$38,000,000*
CITY OF PFLUGERVILLE, TEXAS
LIMITED TAX BONDS, SERIES 2021

Maturity Date (8/1)	Principal Amount*	Interest Rate	Initial Yield[2]	CUSIP No. Suffix [1]	Maturity Date (8/1)	Principal Amount*	Interest Rate	Initial Yield[2]	CUSIP No. Suffix [1]
2022	$2,120,000				2032	$1,815,000			
2023	2,550,000				2033	1,860,000			
2024	1,510,000				2034	1,905,000			
2025	1,545,000				2035	1,950,000			
2026	1,580,000				2036	1,995,000			
2027	1,615,000				2037	2,040,000			
2028	1,655,000				2038	2,090,000			
2029	1,695,000				2039	2,140,000			
2030	1,735,000				2040	2,190,000			
2031	1,775,000				2041	2,235,000			

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, ____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, ____ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption Provisions").

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[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriters, or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
[2] The initial yield represents the initial offering yield to the public which has been established by the Underwriters for offers to the public and which may be subsequently changed by the Underwriters and is the sole responsibility of the Underwriters.
* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), this document constitutes an "official statement" of the City with respect to the Bonds that has been "deemed final" by the City except for the omission of no more than the information permitted by Subsection (b)(1) of Rule 15c2-12.

This Official Statement, which includes the cover page and the appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized by the City to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations not so authorized must not be relied upon as having been authorized by the City or the Underwriters.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of their Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "FORWARD-LOOKING STATEMENTS" herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c2-12.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The City	The City of Pflugerville, Texas (the "City") is a political subdivision located primarily in Travis County, with a small portion in Williamson County operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters on November 2, 1993, and amended on January 18, 1997, November 6, 2001, November 7, 2006, November 8, 2011 and November 6, 2016 (the "City Charter"). The City operates under the City Council/Manager form of government where the Mayor and six City Council members are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City manager is the chief administrative officer. The City is approximately 25.57 square miles in area. See "APPENDIX B – GENERAL INFORMATION REGARDING THE CITY".
The Bonds	The $38,000,000* Limited Tax Bonds, Series 2021 (the "Bonds") are issued as serial bonds maturing on August 1, as shown on page ii hereof.
Authority for Issuance	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1251 and 1331 of the Texas Government Code, as amended, the City Charter, an election held within the City on November 3, 2020, and an ordinance to be adopted by the City Council of City on the sale date of the Bonds. See "THE BONDS – Authority for Issuance".
Security for the Bonds	The Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City as provided in the Ordinance. See "THE BONDS – Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.
Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) constructing, improving, extending, expanding, upgrading and/or developing transportation projects comprised of City intersection improvements, City neighborhood street reconstruction, Immanuel Road, FM 685 corridor improvements, SH 45 frontage roads, Kelly Lane, Pfluger Farm Lane North, Main Street, Central Commerce Drive, Picadilly Drive, Weiss Lane extension/realignment with Cameron Road, East Pflugerville Parkway and East Pecan Street, including utility relocation, sidewalks, traffic safety and operational improvements, the purchase of any necessary rights-of-way, design costs and related drainage and other related costs, (ii) constructing, improving, extending, expanding, upgrading and/or developing parks and recreation projects comprised of trail improvements, neighborhood parks, land acquisition, Lake Pflugerville, 1849 Park, and destination play space, including design costs and related drainage and other related costs, (iii) constructing, improving, extending, expanding, upgrading and/or developing a recreation and senior center, including design costs and related drainage and other related costs, and (iv) paying the costs of issuance of the Bonds. See "THE BONDS – Purpose".
Redemption	The City reserves the right, at its sole option, to redeem Bonds having stated maturities on and after August 1, ____, in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof, on August 1, ____ or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions".
Tax Status	In the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein (see "TAX MATTERS" and "APPENDIX D – Form of Legal Opinion of Bond Counsel").
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. See "THE BONDS – Paying Agent/Registrar".
Ratings	The Bonds have been assigned ratings of "___" by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of such rating may be obtained from the rating agency. (See "RATINGS" herein.)
Payment Record	The City has never defaulted on the payment of its outstanding debt.
Delivery	When issued, anticipated on or about September 21, 2021.

* Preliminary, subject to change.

CITY OF PFLUGERVILLE, TEXAS
100 East Main Street
Pflugerville, Texas 78660
Telephone: (512) 990-6100

ELECTED OFFICIALS

City Council	Length of Service	Term Expires (November)	Occupation
Victor Gonzales, Mayor	4 years	2022	Sales
Omar Peña, Mayor Pro-Tem	8 years	2021	Business Developer
Doug Weiss, Councilmember	4 years	2022	Solution Architect
Ceasar Ruiz, Councilmember	1 year	2023	Consultant
Rudy Metayer, Councilmember	3 years	2023	Attorney
Mike Heath, Councilmember	5 years	2021	Transportation Engineer
David Rogers, Councilmember	1 year	2023	Attorney

APPOINTED OFFICIALS

Name	Position	Length of Service with City	Length of Service in Position
Sereniah Breland	City Manager	3 years	3 years
Trey Fletcher	Deputy City Manager	15 years	1 year
James Hartshorn	Assistant City Manager	2 years	2 years
Amy Giannini	Assistant City Manager	11 years	2 years
Melissa Moore	Finance Director	10 months	10 months
Trista Evans	City Secretary	4 years	1 month
Charles E. Zech Denton, Navarro, Rocha Bernal & Zech P.C.	City Attorney	4 years	4 years
Patricia Davis	City Engineer	12 years	3 years

CONSULTANTS AND ADVISORS

Auditors………...Patillo, Brown & Hill, LLP
Waco, Texas

Bond Counsel ....McCall, Parkhurst & Horton L.L.P.
Austin, Texas

Financial Advisor ....RBC Capital Markets, LLC
San Antonio, Texas

For additional information regarding the City, please contact:

City of Pflugerville
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City Manager
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Pflugerville, Texas 78660
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citymanager@pflugervilletx.gov

RBC Capital Markets, LLC
Mr. R. Dustin Traylor
Financial Advisor
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San Antonio, Texas 78215
(210) 805-1148 – Telephone
(210) 805-1119 – Fax

TABLE OF CONTENTS

The Cover Pages, Table of Contents, and Appendices attached hereto are part of this Official Statement

PRELIMINARY OFFICIAL STATEMENT
relating to

$38,000,000*
CITY OF PFLUGERVILLE, TEXAS
(Travis and Williamson Counties)
LIMITED TAX BONDS, SERIES 2021

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, and the Appendices hereto, provides certain information in connection with the issuance by the City of Pflugerville, Texas (the "City") of its $38,000,000* Limited Tax Bonds, Series 2021 (the "Bonds"). The Bonds are being issued pursuant to an ordinance to be approved on the sale date of the Bonds (the "Ordinance"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience will necessarily continue or be repeated in the future.

All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City and, during the offering period, from the Financial Advisor, upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement and each of the Escrow Agreements will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for information regarding the EMMA system and for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS

GENERAL DESCRIPTION

The Bonds will be dated August 15, 2021 (the "Dated Date"), and will be issued in fully-registered form, in denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from their date of delivery, currently anticipated to be September 21, 2021, and interest will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2022, until stated maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will mature on the dates and in the amounts as set forth on page ii hereof. The Bonds will mature on the dates and in the amounts as set forth on page ii hereof.

Principal and interest will be paid by U.S. Bank National Association, Dallas, Texas, Texas (the "Paying Agent/Registrar"). Subject to the requirements associated with the use of the Book-Entry-Only System (see "BOOK-ENTRY-ONLY SYSTEM" herein), interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the "Owners") appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of such Owner. Principal will be paid to the Owners at maturity or redemption upon presentation and surrender of the Bonds to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The City will initially use the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York, in regard to the issuance, payment and transfer of the Bonds. Such system will affect the timing and method of payment of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM" herein).

AUTHORITY FOR ISSUANCE

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1251 and 1331 of the Texas Government Code, as amended, the City Charter, an election held within the City on November 3, 2020, and the Ordinance with respect to the sale of the Bonds to be adopted by the City Council of City on the sale date of the Bonds.

PURPOSE

Proceeds from the sale of the Bonds will be used for (i) constructing, improving, extending, expanding, upgrading and/or developing transportation projects comprised of City intersection improvements, City neighborhood street reconstruction, Immanuel Road, FM 685 corridor improvements, SH 45 frontage roads, Kelly Lane, Pfluger Farm Lane North, Main Street, Central Commerce Drive, Picadilly

* Preliminary, subject to change.

Drive, Weiss Lane extension/realignment with Cameron Road, East Pflugerville Parkway and East Pecan Street, including utility relocation, sidewalks, traffic safety and operational improvements, the purchase of any necessary rights-of-way, design costs and related drainage and other related costs, (ii) constructing, improving, extending, expanding, upgrading and/or developing parks and recreation projects comprised of trail improvements, neighborhood parks, land acquisition, Lake Pflugerville, 1849 Park, and destination play space, including design costs and related drainage and other related costs, (iii) constructing, improving, extending, expanding, upgrading and/or developing a recreation and senior center, including design costs and related drainage and other related costs, and (iv) paying the costs of issuance of the Bonds.

LEGALITY

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see "LEGAL MATTERS" herein).

SECURITY AND SOURCE OF PAYMENT

The Bonds constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein).

REDEMPTION PROVISIONS

Optional Redemption . . . The City reserves the right, at its sole option, to redeem Bonds having stated maturities on and after August 1, ____, in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof, on August 1, ____ or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption for the Bonds . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND FUNDS TO PAY THE REDEMPTION PRICE OF SAID BONDS HAVING BEEN PROVIDED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provisions . . . The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see “BOOK-ENTRY-ONLY SYSTEM” herein).

DEFEASANCE OF BONDS

The Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Bonds, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and, (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption that have been defeased to stated maturity is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Because the Ordinance provides that securities or obligations that may be authorized under future State law may also be used to defease the Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease the Bonds as described in this section will be maintained at any particular rating category.

AMENDMENTS

In the Ordinance, the City has reserved the right, without the consent of any registered owner, to amend, change, or modify the Ordinance as may be required (i) by the provisions thereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (iii) in connection with any other change which is not to the prejudice of the registered owners.

The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made to (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Bond over any other Bond, (ii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

RECORD DATE

The record date ("Record Date") for determining the person to whom the interest is payable on the Bonds on any interest payment date means the fifteenth day of the month next preceding the date that each interest payment is due. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Bonds. If the Paying Agent/Registrar is replaced by the City, the Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City shall promptly cause a written notice of such change to be sent to each registered owner of the

Bonds affected by the change, by United States mail, first class, postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

FUTURE REGISTRATION

In the event the use of the "Book-Entry-Only System" for the Bonds should be discontinued, printed Bonds will be delivered to the registered owners of the Bonds and thereafter such Bonds may be transferred, registered and assigned on the registration books only upon their presentation and surrender to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner except for any tax or other governmental charges required to be paid with respect to such registration and transfer. The Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

LIMITATION ON TRANSFER OF BONDS

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with any Bond or any portion thereof called for redemption prior to maturity, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to the registered owner of the uncalled balance of a Bond.

MUTILATED, DESTROYED, LOST, OR STOLEN BONDS

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfying to them that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

PAYMENT RECORD

The City has never defaulted on the payment of its bonded indebtedness.

SOURCES AND USES OF PROCEEDS

The following table shows the estimated sources and uses of the proceeds of the Bonds:

Sources:		
	Principal Amount of the Bonds	
	Net Original Issue Premium/Discount	
	Total Sources of Funds	
Uses:		
	Deposit to Project Fund	
	Costs of Issuance and Underwriters' Discount	
	Total Uses of Funds	

ENFORCEMENT OF REMEDIES

The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 30 days after notice of such default is given by any owner to the City, the Ordinance provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship.

As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated industries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Underwriters.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Travis Central Appraisal District and the Williamson Central Appraisal District (each an "Appraisal District"). Except as generally described below, the Appraisal Districts are required to appraise all property within each Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal Districts are required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of each respective Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with each respective Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the 10% Homestead Cap). The 10% increase is cumulative meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal Districts are subject to review and change by the Appraisal Review Boards. The appraisal rolls, as approved by the respective Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – Issuer and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per

$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

ISSUER AND TAXPAYER REMEDIES

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operation Tax Rate Limitations"). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) of delinquent tax, penalty and interest collected if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE

The City does not grant a local option exemption of the market value of all residence homesteads.

The City does grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older. The disabled are also granted this exemption.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The City does not permit split payments, and discounts are not allowed.

The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

The City has not entered into any abatement agreements, but it has adopted a formal tax abatement policy.

On December 14, 2010, the City created Reinvestment Zone No. One for the City of Pflugerville (“TIRZ #1”) comprised of approximately 399 acres with a taxable assessed valuation of $5,934,134 for the base year. On December 11, 2018 the City enlarged the boundary of TIRZ #1. The expansion of the zone added an additional 67 acres with a taxable assessed valuation of $3,919,027 for the base year. The City will contribute 100% of its tax increment revenue to improvements within TIRZ #1.

The City participates in numerous economic development projects with the Pflugerville Community Development Corporation (“PCDC”) (a Texas Type 4B Corporation created pursuant to the Texas Local Government Code). In all such projects, the City participation is structured so that the City’s ad valorem tax rate and its Waterworks and Sewer System rates would not be adversely impacted in the event of a failure or payment default of a particular venture.

WATERWORKS SYSTEM

SOURCE

The City acquires the majority of its water through a contract with the Lower Colorado River Authority ("LCRA"). The agreement, in effect through 2042, allows the City to purchase 12,000 acre feet of water per year. The Highland Lakes water level determines the amount of water the City can actually pump into the City's reservoir. Water is pumped from the Colorado River into Lake Pflugerville; and the water is then treated at the City's surface water treatment plant. The water produced is a very high quality and has a much lower hardness and total dissolved solids level than water produced by its hereafter-described water wells. The surface water treatment plant is capable of producing a maximum of 20.6 million gallons per day (though it is permitted to produce 17.6 million gallons per day). The City had a peak water usage for fiscal year 2020 of 14,606,000 gallons on August 16, 2020. The City began design of a water treatment plant expansion project in 2020.

The City of Pflugerville also obtains a small portion of its water supply from two wells, located on the southwest side of the City. These wells are fed by the Edwards Aquifer. With the current levels in the Edwards Aquifer, the wells can currently produce 6.19 million gallons per day.

DISTRIBUTION

The present distribution system is comprised of 6, 8, 12, 16, 18, 24 and 30 inch water lines. Most of the distribution system is less than 25 years old. Antiquated portions of the distribution system were replaced in 1986 when the City upgraded its streets system in the older parts of the City.

STORAGE

The City currently has a total storage capacity of 10 million gallons of water of which 2.8 million gallons is elevated. The system's elevated storage was increased by 1.5 million gallons with the completion of the Heatherwilde Elevated Storage Tank in the summer of 2018.

WATER AGREEMENTS

The City has entered into a water service area agreement with the Manville Water Supply Corporation, Inc. ("Manville"), a nonprofit corporation that specifies the areas where the City and Manville may each provide retail water service to customers. Pursuant to the water service area agreement, the City and Manville have also entered into a wholesale water supply contract whereby in certain specified areas, the City has the exclusive right to provide retail water services to customers within subdivisions, and such customers are considered retail customers of the City. In these specified areas Manville provides wholesale water services to the City, and is responsible for maintaining and operating the related facilities. In March of 2006, the City and Manville entered into an agreement pursuant to which the City acquired a portion of Manville's water service territory and the City agreed to provide up to 1 million gallons of water per day to Manville for the agreement's 32 year term.

In addition to the above, the City currently has two take-or-pay wholesale water supply contracts. These agreements with Manville Water Supply Corporation and Windermere Utility Company provide for the sale of a combined total of more than 1.0 million gallons of water per day. These agreements continue through 2038 and 2024, respectively.

The contracted amount of water is a daily average within a year and the "take or pay" provision requires the buyer to pay the City at the end of each fiscal year for the contracted amount of water whether or not the entire amount is taken by the buyer. The contract with Manville is in addition to the City's existing contracts with Manville.

SEWER SYSTEM

TREATMENT

The City's central wastewater treatment plant, the Gilleland Creek plant, was originally constructed in 1986 and expanded in 2007. The plant currently has a treatment capacity of 5.3 million gallons per day and permitted capacity of 5.85 million gallons per day. In 2019, expansion of the plant to increase total capacity to 7.25 million gallons per day began. This project is to be substantially completed by December 2021. A further expansion to 8.25 million gallons per day is under design.

The Texas Commission on Environmental Quality ("TCEQ") approved a permit that would allow for the City to also construct a 3.0 million gallon per day wastewater treatment plant that would serve the New Sweden Municipal Utility Districts No. 1, No. 2 and No. 3, which are located outside the boundaries of the City near the intersection of FM 973 and New Sweden Church Road, and other surrounding areas. The City currently plans to finance the construction of this new plant primarily from impact fees imposed on the plant's customers.

The TCEQ has also approved a permit that would allow for the City to also construct a 15.0 million gallon per day wastewater treatment plant that would serve the Wilbarger Creek basin, generally east of SH 130 and west of the New Sweden service area. Design on this new plant began in 2020.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025 of the Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted under the Public Funds Investment Act, and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy; (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority); and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves or funds held for debt service in such mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

RETIREMENT PLAN

All permanent, full-time City employees are covered by the Texas Municipal Retirement System (the "TMRS). The TMRS is a contributory, annuity-purchase type plan which is covered by a State statute and is administered by six trustees appointed by the Governor of the State of

Texas. The TMRS operates independently of its member cities. For additional information concerning the TMRS, see Note VII in APPENDIX B – "City of Pflugerville, Texas Comprehensive Annual Financial Report".

OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described above, the City provides certain other post-retirement benefits to retired employees and their dependents that fall within the scope of Governmental Accounting Standards Board's Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment benefits ("OPEB").

GASB 45, which sets forth standards for the measurement, recognition and display of post-employment benefits other than pensions (such as health and life insurance for current and future retirees), applies to the City and required implementation by the City of the fiscal year that began on October 1, 2008. GASB 45 requires the City to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services, and whether, or to what extent, the future costs of those benefits have been funded; and (iii) to provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 must be recorded as a liability in the employer's financial statements.

House Bill No. 2365 ("HB 2365"), which was passed during the Regular Session of the 8th Texas Legislature, establishes an alternative, statutorily-based comprehensive basis for Texas governmental entities to account for OPEB obligations. HB 2365 permits political subdivisions to elect whether to report retiree health benefits (i) on a pay-as-you basis or (ii) per the methodology established by GASB 45. Governmental entities that elect to report on a pay-as-you go basis pursuant to HB 2365 have the option of reporting the information required by GASB 45 in the footnotes to their financial statements. However, governmental entities that elect to report OPEB liabilities in accordance with HB 2365 (in lieu of GASB 45) may receive qualified and/or adverse opinions from outside auditors and their bond ratings could be adversely affected.

The City implemented GASB 45 in its financial statements beginning in Fiscal Year 2009. Gabriel Roeder Smith & Company has prepared actuarial valuations to meet the GASB 45 requirements in a report dated December 31, 2016 (the "GASB 45 Report"). Based on the GASB 45 Report, the Annual Required Contribution ("ARC") for the fiscal year ending September 30, 2017 was determined to be $111,916 (assuming pay-as-you go funding policy and using a discount rate of 4%). The GASB 45 Report also indicates that the present value of all benefits expected to be paid to current plan members as of December 31, 2016 is $1,203,235 (based on assumptions used to arrive at the ARC and the City's current pay-as-you go funding policy). See Note IX in APPENDIX B – City of Pflugerville, Texas Comprehensive Annual Financial Report. A copy of this report can be obtained by writing to the City of Pflugerville, P.O. Box 589, Pflugerville, TX 78691 or by calling (512)990-6100 or at www.pflugerville.gov/finance.

TAX MATTERS

OPINION

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX D – FORM OF LEGAL OPINION OF BOND COUNSEL."

In rendering its opinion, Bond Counsel will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local And Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting And Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of non-U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future And Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

In the opinion of various officials of the City, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the City in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the City.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to insure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish the Underwriters with a complete transcript of proceedings for the Bonds incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding general obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding general obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds and the Ordinance contained in this Official Statement under the captions "THE BONDS" (except under the subcaption "Payment Record"), "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "LEGAL MATTERS," and such firm is of the opinion that the information contained under such captions is a fair and accurate summary of the information purported to be shown and is correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds, will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, counsel for the Underwriters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

The Bonds have been assigned a rating of "_____" by Moody's Investors Service, Inc. ("Moody's"). The rating of the Bonds by Moody's reflects only the views of said company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS

The City will provide this updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Appendix A of this Official Statement in Tables 1 through 6 and 8 through 22, and in Appendix C. The City will update and provide the information in Appendix A within twelve months after the end of each fiscal year, commencing in 2021. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The City will provide audited financial statements within twelve months after the end of each fiscal year, commencing in 2021, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements of the type described above by the required time and will provide audited financial statements when and if such audited financial statements become available. Any financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to Texas law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must make available updated financial and operating data, and its audited financial statements by the end of September in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change. The City will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB's EMMA system at www.emma.msrb.org.

NOTICE OF OCCURRENCE OF CERTAIN EVENTS

The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bonds calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or change of name of the trustee, if material; (15) incurrence of a "Financial Obligation" of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for liquidity enhancement, credit enhancement, a trustee, or require the funding of debt service reserves.

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

NOTICE OF FAILURE TO TIMELY FILE

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

AVAILABILITY OF INFORMATION

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines, by and through EMMA. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Bonds may seek a writ of mandamus to compel the City to comply with its agreement. No default by the City with respect to its continuing disclosure agreement shall constitute a breach of or default under the Ordinance for purposes of any other provision of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. The City's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The City's continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at the yields shown on page ii of this Official Statement less an underwriting discount of $_______. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

UBS Financial Services Inc. ("UBS FSI"), one of the underwriters of the Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG."

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as the Financial Advisor to the City in connection with the issuance of the Bonds. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date thereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration was extended and is still in effect. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed this declaration monthly, most recently on March 6, 2021. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation, and the reopening of business in Texas. On March 2, 2021, the Governor issued Executive Order GA-34, which took effect on March 10, 2021. Executive Order GA-34 provides, generally, for the reopening of the State to 100%, ends the COVID-9 mask mandate, and superseded any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. On May 18, 2021, the Governor issued executive order GA-36 which prohibits any Texas governmental entity, including the City, Travis County and local school districts from requiring individuals to wear a face covering or to mandate that an individual wear a face covering. On May 18, 2021, governmental entities except school districts became subject to this prohibition; public schools may continue to follow policies regarding the wearing of face coverings to the extent reflected in current guidance by the Texas Education Agency, until June 4, 2021. GA-36 supersedes portions of GA-34 but does not otherwise supersede prior executive orders GA-10, GA-13, GA34, or GA-35. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City. The Bonds are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's operations and maintenance expenses. Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

The financial and operating data contained herein are as of the dates stated herein and in some instances are for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

USE OF INFORMATION IN OFFICIAL STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Underwriters in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF PFLUGERVILLE, TEXAS

/s/
Mayor
City of Pflugerville, Texas

ATTEST:

/s/
City Secretary
City of Pflugerville, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING THE CITY OF PFLUGERVILLE, TEXAS

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FINANCIAL INFORMATION FOR THE
CITY OF PFLUGERVILLE, TEXAS

Table 1 - Valuation and Exemptions

		2020-2021
2020 Market Valuation Established by the Travis Central Appraisal District and the Williamson Central Appraisal District[1]		$ 8,006,072,759
Less: Exemptions/Reductions at 100% of Market Value:		
Over 65 Years of Age Exemptions	$ 94,061,970	
Disabled / Disabled Veterans Exemptions	93,317,743	
Agricultural and Open-Space Land Use	313,853	
Other Exemptions	9,360,607	
Reductions	-	
Homestead 10% Cap Lost	65,281,146	
Totally exempt and freeport property	1,030,019,053	1,292,354,372
Net Taxable Assessed Valuation		$ 6,713,718,387

Tax Supported Debt Obligations

City Funded Debt Secured by Ad Valorem Tax Pledge (as of 08-15-2021)		
Ad Valorem Tax Bonds	$ 179,125,000	
Combination Tax and Revenue Certificates of Obligation	119,630,000	
Plus: The Bonds	38,000,000 [2]	$ 336,755,000
Less Self-Supporting Debt [3]		$ 153,908,349
Net General Purpose Funded Debt Secured by Ad Valorem Tax Pledge		$ 182,846,651
Interest and Sinking Fund (as of 9-30-20)		$ 3,956,733
Ratio of Net General Purpose Funded Debt to 2020-2021 Preliminary Taxable Assessed Valuation		2.72%

Fiscal Year 2020 Estimated Population - 74,700
Per Capita Net Taxable Assessed Valuation - $ 89,876
Per Capita Net General Purpose Funded Debt Payable from Ad Valorem Taxes - $ 3,512

[1] Source: Travis Central Appraisal District and Williamson Central Appraisal District as of March 4, 2021. Values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.
[2] Preliminary, subject to change.
[3] See Footnote 2 under "TAX DEBT INFORMATION - Debt Service Requirements for General Obligation Debt - Table 6."

Table 2 - Taxable Assessed Valuation by Category, Five Year History

	Taxable Appraised Value For Fiscal Year Ended September 30,					
	2021[1]		2020		2019	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 4,622,115,273	57.73	$ 4,284,801,201	58.28	$ 4,055,764,494	60.22
Real, Residential, Multi-Family	596,182,136	7.45	510,406,799	6.94	443,992,582	6.59
Real, Vacant Lots/Tracts	54,821,545	0.68	61,344,552	0.83	46,508,856	0.69
Real, Acreage (Land Only)	259,781,540	3.24	236,133,638	3.21	247,128,017	3.67
Real, Farm and Ranch Improvements	31,117,379	0.39	1,185,638	0.02	1,232,582	0.02
Real Property, Commercial	1,200,423,307	14.99	1,098,852,841	14.95	904,769,948	13.43
Real Property, Utilities	68,002,461	0.85	51,071,014	0.69	49,471,263	0.73
Tangible Personal, Commercial, Industrial and Utilities	417,881,690	5.22	414,424,469	5.64	388,621,359	5.77
Tangible Personal, Mobile Homes	8,165,659	0.10	8,019,043	0.11	7,847,063	0.12
Totally Exempt Property	747,581,769	9.34	686,352,978	9.33	589,503,755	8.75
Total Appraised Value Before Exemptions	$ 8,006,072,759	100%	$ 7,352,592,173	100%	$ 6,734,839,919	100%
Less: Total Exemptions/Reductions [2]	(1,292,354,372)		(1,154,626,003)		(1,108,865,347)	
Net Taxable Assessed Value	$ 6,713,718,387		$ 6,197,966,170		$ 5,625,974,572	

	2018		2017	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,716,311,059	63.00	$ 3,374,890,306	63.65
Real, Residential, Multi-Family	319,339,421	5.41	253,135,049	4.77
Real, Vacant Lots/Tracts	45,193,996	0.77	49,292,851	0.93
Real, Acreage (Land Only)	250,852,088	4.25	247,429,945	4.67
Real, Farm and Ranch Improvements	131,303	0.00	209,752	0.00
Real Property, Commercial	751,887,034	12.75	619,740,903	11.69
Real Property, Utilities	40,515,198	0.69	39,603,122	0.75
Tangible Personal, Commercial, Industrial and Utilities	307,010,297	5.20	325,654,594	6.14
Tangible Personal, Mobile Homes	7,761,785	0.13	7,904,883	0.15
Totally Exempt Property	460,008,466	7.80	384,107,746	7.24
Total Appraised Value Before Exemptions	$ 5,899,010,647	100%	$ 5,301,969,151	100%
Less: Total Exemptions/Reductions [2]	(959,591,335)		(899,533,163)	
Net Taxable Assessed Value	$ 4,939,419,312		$ 4,402,435,988	

[1] Source: Travis Central Appraisal District and Williamson Central Appraisal District as of March 4, 2021. Values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.

[2] Includes all applicable exemptions/reductions to market as outlined in "Table 1 - Valuation and Exemptions."

Table 3 - Valuation and Funded Debt Ten Year History

Fiscal Year Ending 9-30	Estimated Population[(1)]	Net Taxable Assessed Valuation	Net Taxable Assessed Valuation Per Capita	Net General Purpose Funded Debt Outstanding at End of Year[(2)]	Ratio of Net General Purpose Funded Debt to Net Taxable Assessed	Net General Purpose Funded Debt Per Capita
2013	53,250	$2,826,931,963	$53,088	$80,465,200	2.85%	1,511
2014	54,843	3,012,732,624	54,934	70,226,319	2.33%	1,280
2015	55,455	3,442,628,475	62,080	87,100,186	2.53%	1,571
2016	57,148	3,871,828,247	67,751	121,496,334	3.14%	2,126
2017	61,200	4,402,435,988	71,935	118,345,451	2.69%	1,934
2018	64,260	4,939,419,312	76,866	130,621,729	2.64%	2,033
2019	71,200	5,625,974,572	79,016	138,154,078	2.46%	1,940
2020	74,700 (3)	6,197,966,170	82,971	148,845,646	2.40%	1,993
2021	74,700 (3)	6,713,718,387	89,876	182,846,651	2.72%	2,448

(1) Source: City of Pflugerville.

(2) Excludes self-supporting debt.

(3) Projected.

Table 4 - Tax Rate, Levy and Collection Ten Year History

Fiscal Year Ending 9-30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy[(1)]	% Collected within fiscal year of Tax Levy	% Total Collections
2011	$0.6040	$0.4101	$0.1939	$16,958,006	99.31%	99.84%
2012	0.5990	0.3937	0.2053	17,042,787	99.33%	99.85%
2013	0.5940	0.3915	0.2025	17,008,356	99.32%	99.82%
2014	0.5736	0.3851	0.1885	17,320,892	99.56%	99.88%
2015	0.5336	0.3700	0.1636	18,328,145	99.80%	99.89%
2016	0.5405	0.3665	0.174	20,844,072	100.17%	99.87%
2017	0.5399	0.3526	0.1873	23,728,362	99.78%	99.81%
2018	0.5399	0.3345	0.2054	26,623,167	99.73%	99.45%
2019	0.4976	0.3169	0.1807	27,994,849	99.66%	99.73%
2020	0.4976	0.3104	0.1872	30,841,080	99.25%	99.84%
2021	0.4863	0.3101	0.1762	32,648,813		101.00%[(2)]

(1) Represents the certified tax levy for property taxes adjusted for settled property tax value protests and other disputes.

(2) Unaudited. As of July 31, 2021.

Table 5 -Principal Taxpayers

Name of Taxpayer	Nature of Property	2020-2021 Net TAV	% of Total Net TAV
A-S 93 SH 130 - SH45 LP (New Quest)	Commercial	$ 144,522,850	2.15%
Living Spaces Pflugerville LLC	Commercial	71,248,778	1.06%
Centennial Stone Hill Two LP	Apartments	67,010,000	1.00%
Centennial Stone Hill LP	Apartments	57,900,000	0.86%
MA Emerson at Pflugerville LLC	Apartments	56,620,000	0.84%
Bel Falcon Limited Partnership	Apartments	55,000,000	0.82%
Oncor Electric Delivery Co. LLC	Utility Provider	47,898,368	0.71%
HRA Stone Hills LLC	Apartments	47,400,000	0.71%
Swenson Farms Apartment Community LLC	Apartments	45,280,000	0.67%
1825 Place LLC	Apartments	44,290,000	0.66%
		$ 637,169,996	10.05%

Source: Travis Central Appraisal District.

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Table 6 - Pro-Forma Debt Service Requirements for General Obligation Debt

Fiscal Year Ending 9-30	Outstanding Valorem Tax Debt	Plus: The Bonds[1] Principal	Plus: The Bonds[1] Interest	Plus: The Bonds[1] Total	Less Self Supporting Debt [2]	Net Debt Payable from Ad Valorem
2021	$ 20,843,261				$ 10,611,237	$ 10,232,023
2022	21,834,279	$ 2,120,000	$ 771,263	$ 2,891,263	11,439,065	13,286,476
2023	21,796,559	2,550,000	845,692	3,395,692	11,437,591	13,754,659
2024	20,946,489	1,510,000	785,588	2,295,588	10,632,612	12,609,464
2025	21,797,764	1,545,000	749,997	2,294,997	11,594,902	12,497,859
2026	21,831,794	1,580,000	713,582	2,293,582	11,893,577	12,231,799
2027	21,782,069	1,615,000	676,341	2,291,341	11,877,878	12,195,532
2028	21,725,469	1,655,000	638,276	2,293,276	11,851,880	12,166,864
2029	21,753,606	1,695,000	599,267	2,294,267	11,938,522	12,109,351
2030	21,652,219	1,735,000	559,316	2,294,316	11,870,105	12,076,430
2031	21,570,765	1,775,000	518,422	2,293,422	11,819,222	12,044,965
2032	21,492,129	1,815,000	476,585	2,291,585	11,775,882	12,007,832
2033	21,965,454	1,860,000	433,806	2,293,806	12,425,626	11,833,633
2034	20,347,114	1,905,000	389,966	2,294,966	10,857,475	11,784,604
2035	20,916,688	1,950,000	345,065	2,295,065	10,862,607	12,349,145
2036	11,718,938	1,995,000	299,103	2,294,103	5,558,920	8,454,121
2037	11,704,881	2,040,000	252,081	2,292,081	5,561,918	8,435,044
2038	11,662,081	2,090,000	203,998	2,293,998	5,553,983	8,402,096
2039	11,633,381	2,140,000	154,737	2,294,737	5,559,412	8,368,707
2040	11,606,831	2,190,000	104,297	2,294,297	5,559,520	8,341,609
2041	11,579,275	2,235,000	52,679	2,287,679	5,559,069	8,307,885
2042	10,941,713	-	-	-	4,956,693	5,985,020
2043	10,917,663	-	-	-	4,960,793	5,956,869
2044	10,887,163	-	-	-	4,956,027	5,931,136
2045	10,860,675	-	-	-	4,960,603	5,900,072
2046	8,642,600	-	-	-	3,951,805	4,690,795
2047	6,497,506	-	-	-	3,947,786	2,549,720
2048	4,692,231	-	-	-	2,914,189	1,778,042
2049	4,696,275	-	-	-	2,914,583	1,781,692
2050	3,264,300	-	-	-	2,198,999	1,065,301
	$ 463,561,168	$ 38,000,000	$ 9,570,062	$ 47,570,062	$ 242,002,483	$ 269,128,747

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(1) Preliminary, subject to change. Interest calculated at an assumed rate solely for purposes of illustration.
(2) Consists of approximately: $10,619,850 (83%) of the City's $12,795,000 Series 2012 Limited Tax Refunding Bonds; $10,535,200 (52%) of the City's $20,260,000 Series 2015 Limited Tax and Refunding Bonds; $15,048,000 (66%) of the City's $22,800,000 Series 2015 Combination Tax & Limited Revenue CO; $15,780,000 (100%) of the City's $15,780,000 Series 2017A Combination Tax & Limited Revenue CO; $6,685,000 (52%) of the City's $12,955,000 Series 2017 Limited Tax Refunding Bonds; $11,818,800 (63%) of the City's $18,760,000 Series 2019 Combination Tax & Limited Revenue CO, and $35,704,899 (78%) of the City's $45,970,000 Combination Tax & Limited Revenue Certificates of Obligation, Series 2020, which are supported by revenues of the City's Waterworks and Sewer System. Also consists of approximately: $300,000 (100%) of the City's $300,000 Series 2013 Combination Tax & Revenue CO; $2,300,000 (100%) of the City's $2,300,000 Series 2014 Combination Tax & Limited Revenue CO; and $1,750,000 (14%) of the City's $12,955,000 Series 2017 Limited Tax Refunding Bonds, which are supported by reimbursement agreements with the Pflugerville Community Development Corporation (a Texas 4B Economic Development Corporation). Also consists of: $5,940,000 (100%) of the City's $5,940,000 Series 2016B Combination Tax & Limited Revenue CO; $855,000 (100%) of the City's $855,000 Taxable 2016C Combination Tax & Limited Revenue CO; and $1,920,000 (100%) of the City's $1,920,000 Series 2017B Combination Tax & Limited Revenue CO, which are supported by tax increment revenue of Reinvestment Zone Number One of the City of Pflugerville (Falcon Pointe TIRZ).

Table 7 - Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated in the table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the outstanding principal amount of overlapping funded debt of these various taxing bodies:

Taxing Jurisdiction	Total Funded Debt (1)	Estimated % Applicable	Overlapping Funded Debt
Travis County MUD #15	$ 32,145,000	100.00%	$ 32,145,000
Travis County MUD #23	19,900,000	100.00%	19,900,000
Pflugerville I.S.D.	575,155,000	41.64%	239,494,542
Travis County	1,054,720,000	2.76%	29,110,272
Travis County Healthcare District	6,105,000	2.76%	168,498
Northeast Travis County Utility District	19,625,000	0.25%	49,063
Austin CCD	386,255,000	0.03%	115,877
Williamson County	963,095,000	0.03%	288,929
Total Estimated Overlapping Debt:	3,057,000,000	10.62%	$ 321,272,180
City of Pflugerville	182,846,651 (2)	100.00%	$ 182,846,651
Total Direct and Overlapping Debt:			$ 504,118,831
Total Direct and Overlapping Debt % of 2020-2021 Net Taxable Assessed Valuation			7.51%
Total Direct and Overlapping Debt per Capita (3)			$ 6,749

(1) As of June 30, 2021.
(2) Excludes all self-supported ad valorem tax debt. Includes the Bonds. Preliminary, subject to change.
(3) Calculated using a fiscal year 2020 estimated population of 74,700.

Table 8 - Interest and Sinking Fund Budget Projection

Interest and Sinking Fund Balance, 9/30/2020	$ 3,956,733
Plus: 2020-2021 Interest and Sinking Fund Tax Levy ($0.1762 at 100% collection)	$ 11,829,572
Less: Net Funded Debt Service Requirements Payable from Ad Valorem Taxes FYE 2021	$ 10,232,023
Estimated Interest and Sinking Fund Balance, 9/30/2021	$ 26,018,328

Table 9 - Tax Adequacy(1)

2020-2021 Net Taxable Assessed Valuation	$6,713,718,387
Average Annual Principal and Interest Requirements, (2021-2035)	$12,212,043
$0.2034 Tax Rate at 95% Collection Produces	$12,972,918
Average Annual Principal and Interest Requirements, (2036-2050)	$5,729,874
$0.1043 Tax Rate at 95% Collection Produces	$6,652,288
Maximum Annual Principal and Interest Requirements, (2035)	$13,754,659
$0.2298 Tax Rate at 95% Collection Produces	$14,656,719

(1) Excludes all self-supported ad valorem tax debt. Includes the Bonds. See Footnote (2) under "TAX DEBT INFORMATION - Debt Service Requirements for General Obligation Debt - Table 6."

Table 10 - Authorized but Unused Ad Valorem Tax Debt

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued[1]	Unissued Balance
Transportation	11/06/2018	$ 21,100,000	$ 21,100,000	$ -	$ -
Transportation	11/03/2020	101,700,000	-	21,180,000	80,520,000
Parks & Recreation	11/03/2020	42,300,000	-	14,040,000	28,260,000
Senior Citizen Center	11/03/2020	47,300,000	-	2,780,000	44,520,000

(1) Includes a premium amount for the Bonds to be counted against voted authorization. Preliminary, subject to change.

Anticipated Issuance of Ad Valorem Tax Debt

The City continues to monitor the 5-year utility capital improvement plan as well as current market conditions. The City intends to issue an estimated $52,000,000 of the unissued voted debt noted above during calendar year 2022. It anticipates issuing the remainder during the next 4 years.

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City's Charter. Article XI, Section 5 of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for general obligation debt.

Table 11 - Other Obligations

Non-Funded Debt

The City currently has no unfunded debt.

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Table 12 - General Fund Revenues and Expenditures

Set forth below are the City's General Fund Revenues and Expenditures for the Fiscal Years Ended September 30, 2016 through September 30, 2020.

	Fiscal Year Ended				
	09/30/2020	09/30/2019	09/30/2018	09/30/2017	09/30/2016
Revenues					
Ad Valorem Taxes	$ 18,070,351	$ 17,007,281	$ 15,726,989	$ 14,584,682	$ 13,621,563
Non-Property Taxes	16,889,858	14,787,276	12,920,599	12,022,057	11,074,534
Licenses amd Permits	4,049,908	2,119,265	2,203,341	1,976,278	1,592,125
Fines and Forfeitures	416,715	605,843	620,075	922,511	1,066,935
Intergovernmental/Grants	1,004,028	941,704	808,261	736,323	521,071
Charges for Services	129,457	558,010	547,958	565,215	572,405
Investment Income	303,540	620,404	387,992	173,535	70,676
Other Income	165,477	299,133	901,263	481,604	240,236
Total Revenues	$ 41,029,334	$ 36,938,916	$ 34,116,478	$ 31,462,205	$ 28,759,545
Expenditures					
General Government	9,421,217	9,151,370	7,971,572	8,675,748	6,633,243
Public Safety	14,949,150	14,357,247	14,283,037	12,965,559	11,840,404
Public Works	7,732,607	5,214,559	6,540,510	5,314,209	3,768,194
Cultural and Recreation	4,338,378	4,511,814	4,291,255	4,058,734	3,719,578
Capital Outlay	2,382,032	1,993,955	2,317,815	2,707,823	1,419,101
Total Expenditures	38,823,384	35,228,945	35,404,189	33,722,073	27,380,520
Excess (Deficiency) of Revenues Over Expenditures	$ 2,205,950	$ 1,709,971	$ (1,287,711)	$ (2,259,868)	$ 1,379,025
Other Financing Sources/Uses					
Transfers In (1)	1,153,057	1,022,151	1,106,789	2,621,230	1,136,920
Transfers Out (2)	-	-	(1,286,739)	(35,000)	-
Insurance Recoveries	51,870	39,068	18,153	114,363	46,383
Sale of Fixed Assets	68,239	54,999	55,968	46,751	49,651
Total Other Financing Sources	$ 1,273,166	$ 1,116,218	$ (105,829)	$ 2,747,344	$ 1,232,954
Net change in Fund Balances	$ 3,479,116	$ 2,826,189	$ (1,393,540)	$ 487,476	$ 2,611,979
Fund Balance at Beginning of Year	19,659,908	16,833,719	18,227,259	17,739,783	15,127,804
Prior Year Adjustment	-	-	-	-	-
Fund Balance at End of Year	$ 23,139,024	$ 19,659,908	$ 16,833,719	$ 18,227,259	$ 17,739,783

Note: The City anticipates an ending fund balance of $23,416,807 on September 30, 2021.

(1) Transfers from other funds.

(2) For fiscal year ended September 30, 2018, transfers out include a budgeted transfer from fund balance for one-time projects and capital purchases.

Table 13 - Municipal Sales Tax Ten Year History

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Revenue from this source, for the years shown, has been:

Fiscal Year Ended 9-30	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2011	$ 3,897,834	22.99	0.14
2012	4,418,653	25.93	0.11
2013	4,833,364	28.42	0.17
2014	5,658,163	32.67	0.19
2015	6,735,674	36.75	0.20
2016	7,549,829	36.22	0.19
2017	8,318,945	35.06	0.19
2018	8,988,394	33.76	0.16
2019	10,701,796	38.23	0.17
2020	12,640,956	40.99	0.20

(1) Excludes revenues collected from a 0.5% sales and use tax levied for the City's economic development corporation created pursuant to section 4B of the Development Corporation Act of 1979 (now codified as Chapter 505, Texas Local Government Code) to fund economic development.

In addition, the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, voters have approved the City's imposition of an additional one-half percent (1/2%) sales and use tax for economic development. Levy of the additional sales and use tax began on January 1, 2002.

Table 14 - Water Consumption

Fiscal Year Ended 30-Sept	Annual Water Sold (Gallons)	Peak Day Usage (Gallons)
2011	3,025,072,200	11,755,000
2012	2,835,781,200	10,626,358
2013	2,743,942,700	10,382,656
2014	2,521,440,800	7,704,000
2015	2,633,346,400	11,843,536
2016	2,878,724,000	11,353,576
2017	2,841,584,200	10,477,000
2018	3,045,592,600	13,201,336
2019	2,629,119,496	13,502,448
2020	3,320,480,200	14,828,000

Table 15 - Principal Water Customers

User	Annual Consumption (Gallons)
Manville Water Supply Corp	481,733,980
Windermere Water Utility	100,482,200
Sun Communities/Boulder Ridge	78,639,600
PISD	41,576,400
Travis County-TNR	28,805,100
Centennial Stone Hill LP	23,325,700
Falcon Pointe Community Assoc	23,215,700
Centennial Stonehill Two LLC	21,053,200
Highland Park Res Comm Inc	19,530,700
Swenson Farms Apt Comm LLC	19,184,000
Total	837,546,580

Table 16 - Sewage Flows

Fiscal Year Ended 30-Sept	Annual Sewage Flow	Peak Daily Flow
2011	1,153,492,000	5,211,000
2012	1,135,940,000	7,310,000*
2013	1,107,745,000	6,861,000
2014	1,317,445,000	8,771,000*
2015	1,057,521,000	12,101,000*
2016	1,638,529,000	10,683,000*
2017	1,531,786,000	11,860,000*
2018	1,576,435,000	8,166,000
2019	1,894,281,000	12,792,000*
2020	2,096,000,000	7,950,000

* Represents periods of heavy rainfall

Table 17 - Billing Procedure and Rate Structure

Current City billing procedures provide four billing cycles. Bills mailed on the 1st of the month are due on the 15th, bills mailed on the 5th of the month are due on the 20th, bills mailed on the 10th of the month are due on the 25th and bills mailed on the 20th are due on the 5th of the next month. Any bill not paid by the due date is considered past due and a penalty of 10 percent of the current bill is assessed. If a bill continues to be past due for a period of 30 days, all services will be turned off.

Current monthly water and sewer service rates for residential and commercial usage as set forth in the City's most

Water Rates

Retail Water Rates. The City charges every utility customer inside the City limits served by the City from the

• Within City limits:

Monthly Base Charge		Volume Charge		
Meter Size	Rates	Plus Gallons Used		Rates (per 1,000 gal)
5/8"	$15.70	First	3,000	$3.40
3/4"	23.55	Next	7,000	4.30
1"	39.30	Next	15,000	5.40
1-1/2"	78.50	Over	25,000	6.80
2"	125.60			
Fire Hydrant	125.60	0+ Gallons		10.00

Water customers outside the City limits are billed the same amount as customers inside the City limits, except as

• Within the Meadows of Blackhawk, Park at Blackhawk, Estates of Rowe Lane, Lakeside at Blackhawk,

Monthly Base Charge		Volume Charge		
Meter Size	Rates	Plus Gallons Used		Rates (per 1,000 gal)
5/8 - 3/4"	$16.00	First	7,000	$4.65
1"	21.00	Next	8,000	4.85
1 1/2"	33.16	Over	15,000	5.55
2"	48.30			

• Within the Avalon Subdivison:

Monthly Base Charge		Volume Charge		
Meter Size	Rates	Plus Gallons Used		Rates (per 1,000 gal)
5/8 - 3/4"	$13.68	First	7,000	$4.25
1"	22.84	Next	8,000	4.45
1 1/2"	45.11	Over	15,000	5.15
2"	72.85			
Fire Hydrant/Irrigation	72.85	0+ Gallons		5.50

• Within the Commons of Rowe Subdivision:

Monthly Base Charge		Volume Charge		
Meter Size	Rates	Plus Gallons Used		Rates (per 1,000 gal)
5/8 - 3/4"	$16.00	First	7,000	$4.15
1"	21.00	Next	8,000	4.35
1 1/2"	33.16	Over	15,000	5.05
2"	48.30			

Wastewater Rates

Retail Wastewater Rates. The City charges every utility customer inside the City limits served by the City wastewater system whose wastewater is treated by the City a Monthly Base Charge and an additional Volume Charge at rates set forth below. Volume Charges for residential sewer are based on November, December, January and February average water consumption; and non-residential charges are based on actual monthly water consumption.

• Within City limits:

Monthly Base Charge		Volume Charge	
Meter Size	In City Customer Rates	Plus Gallons Used	Rates (per 1,000 gal)
All Meter Sizes	$23.50	0+	$2.20

New or non-water customers - $33.62 per month.

• Within the Avalon, Meadows of Blackhawk, Park at Blackhawk, Estates of Rowe Lane, Lakeside at Blackhawk, Reserve at West Creek and Reserve at Blackhawk subdivisions, customers are charges $40.00 per month.

Monthly Base Charge		Volume Charge	
Meter Size	In City Customer Rates	Plus Gallons Used	Rates (per 1,000 gal)
All Meter Sizes	$28.50	0+	$2.20

New or non-water customers - $38.62 per month.

• Within the Pflugerville Heights and Fairway Park Subdivisions:

Volume charges for residential sewer rates are based on December, January and February average water

Monthly Base Charge		Volume Charge	
Meter Size	In City Customer Rates	Plus Gallons Used	Rates (per 1,000 gal)
5/8 - 3/4"	$34.60	0+	$6.06
1"	86.52		
1 1/2"	173.06		
2"	276.89		

New or non-water customers - $65.63 per month.

Solid Waste (effective March 1, 2020): In the City limits: $18.94 plus applicable tax. Out of the City limits: $20.94 plus applicable tax.

Current Water and Sewer Information

The following table sets forth certain information concerning the City's water and sewer system customers for fiscal year 2020.

Water Revenue	Sewer Revenue	Water Customers	Sewer Customers	Average Monthly Water Bill	Average Monthly Sewer Bill
$ 17,586,102	$ 10,423,537	20,445	21,551	$71.68	$40.31

Top Ten Sewer Customers

Customer Name	Dollar Amount
Sun Communities/Boulder Ridge	$ 305,728
PISD	273,479
City of Hutto	196,110
Centennial Stone Hill LP	43,489
Swenson Farms Apt Comm LLC	41,357
Centennial Stone Hill Two LLC	40,116
Swenson Farms Condo Comm Inc	26,983
Bel Falcon Limited Partnership	23,275
MA Emerson at Pflugerville LLC	23,004
FSC Highlands Assoc LLC	19,996
Total	$ 993,537

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Table 18 - Condensed Waterworks and Sewer System Operation Statements

The following statements set forth in condensed form reflect the historical operations of the System. Such summary has been prepared for inclusion herein based upon information obtained from the City's records and audited financial statements and have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers to other funds, debt service payments and expenditures identified as capital. Reference is made to such audited financial statements for further and complete information.

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
Revenues [1]					
Water & Sewer	$ 29,213,952	$ 26,393,756	$ 24,952,948	$ 21,811,129	$ 21,042,006
Solid Waste Sales [2]	6,046,800	5,139,425	4,884,361	4,631,339	4,387,471
Miscellaneous	92,173	78,046	52,231	51,448	108,956
Total	$ 35,352,925	$ 31,611,227	$ 29,889,540	$ 26,493,916	$ 25,538,433
Expenses [2]	$ 25,876,495	$ 23,013,449	$ 19,470,201	$ 18,440,874	$ 17,590,488
Solid Waste Sales Net Revenues and (Net Expenses) [2]	$ 249,039	$ 45,480	$ 23,464	$ (4,293)	$ 27,522
Available for Debt Service [2]	$ 9,227,391	$ 8,552,298	$ 10,395,875	$ 8,057,335	$ 7,920,423
Customer Count					
Water	20,445	19,356	18,328	17,480	16,515
Sewer	21,551	20,399	19,321	18,391	17,393

(1) Excludes certain transferred impact fees that are available to pay a portion of the debt service on the City's debt attributable to its Waterworks and Sewer System, but are not pledged to the repayment of such debt. See Footnote 1 under "COMPUTATION OF SELF-SUPPORTING DEBT."

(2) Revenues from Solid Waste Sales are not part of the Net Revenues of the Waterworks and Sewer System and are included in the forgoing financial statement for information purposes only.

Table 19 - Revenue Bond Debt Service Requirements

The City currently has no outstanding revenue bond indebtedness.

COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from the Waterworks and Sewer System, Year Ended 9-30-20	$	9,227,391
Less: Maximum Revenue Bond Debt Service Requirement		-
Balance Available for Other Purposes	$	9,227,391
Impact Fees Collected during Fiscal Year Ended 9-30-19[1]	$	4,528,900
PCDC Debt Reimbursement Funds		751,388
TIRZ#1 Debt Reimbursement Funds		597,185
Available Balance with Impact Fees, PCDC Debt Reimbursement Funds and TIRZ#1 Debt Service Reimbursement Funds	$	15,104,864
Less: Fiscal Year Ended 2021 Self Supporting Portion of Debt Service Requirements [2]		10,611,237
Balance Available for Other Purposes	$	4,493,627
Percentage of System-Supported Combination Tax and Revenue Certificates of Obligation Self-Supporting		100%

[1] Pursuant to state law, impact fees can only be used to pay debt service on debt issued for projects approved as part of the City's capital improvement plan adopted in connection with implementing impact fees. The City's capital improvement plant allows for such impact fees to be used to pay debt service on debt issued to finance the water and wastewater project contained in such plan.
[2] See Footnote 2 under "TAX DEBT INFORMATION - Debt Service Requirements for General Obligation Debt - Table 6."

Table 20 - Enterprise Fund Balance
(as of September 30, 2020)[1]

Waterworks and Sewer System Impact Fee Fund[2]	$	19,891,627

[1] The City currently has no outstanding revenue bond indebtedness.
[2] Pursuant to state law, impact fees can only be used to pay debt service on debt issued for projects approved as part of the City's capital improvement plan adopted in connection with implementing impact fees.

Table 21 - Revenue Bond Debt Data

(as of September 30, 2020)

Revenue Bond Debt Outstanding

The City currently has no outstanding revenue bond indebtedness. The City currently anticipates delivering $11,630,000 of utility revenue bonds payable from the City's combined water and sewer system to the Texas Water Development Board on September 21, 2021.

Revenue Bonds Authorized But Unissued

The City has no authorized but unissued revenue bonds. The Texas Water Development Board has also provided a commitment to the City to purchase an additional $154,035,000 of utility revenue bonds payable from the City's combined water and sewer system through 2024.

Table 22 - Current Investments

As of September 30, 2020, the City invested in TexPool and Lone Star Investment Pool which both have a book value of 100% of the market value as set out below. No funds of the City are invested in securities such as collateralized mortgage obligations, obligations commonly referred to as "inverse floaters," or structured notes, which are all commonly referred to as derivative securities.

Description	Value
Texpool	$ 44,239,198
Lone Star Investment Pool	59,888,669
Total	$ 104,127,867

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF PFLUGERVILLE, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF PFLUGERVILLE, TEXAS

Location

The City of Pflugerville is 15.6 miles northeast of downtown Austin on FM 1825. This location places the City within three hours driving time of ninety percent of the population of the State of Texas, and a number of high-tech industries. The City surrounds the intersection of two toll roads: State Highway 130, which provides a north-south alternative to Interstate Highway 35; and State Highway 45, which provides an east-west connection to Round Rock, Austin, and neighboring communities.

Population

Year	City of Pflugerville	Travis County
2010	46,936	1,024,266
2000	16,334	812,280
1990	4,444	576,407
1980	745	419,335
1970	549	295,516

Schools

The Pflugerville Independent School District covers approximately 95 square miles and is the second largest district in Travis County with approximately 26,000 students. It is also the community's largest employer, with over 1,500 employees working within the City limits. The District has 2 l elementary schools, six middle schools, four traditional high schools, two alternative schools, and administrative facilities. Source: Pflugerville Independent School District.

Economy

The City's economic base is commercial and industrial work emanating from Austin and surrounding areas. Most of the City's employed residents work in Travis and Williamson Counties, but as the population grows, more and more are working in local enterprises that directly serve their neighbors. Retail development has increased with the toll roads and continuing community growth. Stone Hill Town Center includes a variety of retailers, restaurants, services, and two multi-family residential complexes. Additional retail developments are planned or currently under construction. The 130 Commerce Center is also growing with the addition of a FedEx distribution center and the Community Impact Print facility. The first of two planned hotels, Best Western Plus, opened in 2016 and the second, Courtyard Marriott, opened in May 2017 and includes the City's first conference center.

-Labor Force Statistics-

Travis County	2021[(a)]	2020	2019	2018	2017
Labor Force	757,761	741,012	741,101	719,238	698,699
Employed	725,750	694,433	722,054	698,868	677,404
Unemployed	32,011	45,579	19,047	20,370	21,295
Unemployed Rate	4.2%	6.3%	2.6%	2.8%	3.0%

State of Texas	2021[(a)]	2020	2019	2018	2017
Labor Force	14,061,243	13,983,319	14,045,312	13,816,690	13,574,795
Employed	13,231,992	12,915,337	13,551,791	13,285,118	12,989,682
Unemployed	829,251	1,067,982	493,521	531,572	585,113
Unemployed Rate	5.9%	7.6%	3.5%	3.8%	4.3%

[(a)] As of May 2021.

Major Employers Within the City Limits

Employer	Industry	Number of Employees
Pflugerville ISD	Public Education	1,659
City of Pflugerville	Government	384
Wal-Mart	Retail	325
Curative	Biotech	300
Mtech	Manufacturing	268
Cash Construction Company	Construction	250
Costco	Retail	200
Flextronics	Manufacturing	195
Target	Retail	177
Home Depot	Retail	165

Source: Pflugerville Community Development Corporation

Fire Protection

Fire protection services in the City are provided by the Travis County Emergency Services District No. 2. The District has 131 uniformed firefighters and five stations operating 24 hours a day.

Police Protection

The City has 110 full-time police officers equipped with up-to-date equipment to serve the City 24 hours a day. The City has a Justice Center Building containing a police station, a small jail and a municipal court facility. All felony arrests are transported to the Travis County Jail in Austin.

Parks and Library

The City's Parks Department currently has 35 developed parks with various recreation facilities and opportunities and over 1,250 acres of park land and open space. The City's parks department also maintains over 40 miles of hike and bike trails. Lake Pflugerville has 3.1 miles of jogging trails and adjacent North Shore Park facilities include restrooms, pavilion, swim beach, and boat ramp. Construction is underway on 1849 Park (Phase 1 of construction is complete), a sports complex including 6 multipurpose fields, 3 football fields, parking, restrooms and a playground.

The City is served by a library that receives funding from the City and through donations. The library operates a 28,000 sq. ft. facility with space for meeting rooms, computer use, and a variety of programs and activities. The library's collection of nearly 77,000 items, in both electronic and print formats, is available for free circulation to residents of the City and the school district.

APPENDIX C

EXCERPTS FROM THE
CITY OF PFLUGERVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2020

The information contained in this APPENDIX consists of excerpts from the City of Pflugerville, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2020, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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TEXAS

Pflugerville Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2020

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CITY OF PFLUGERVILLE, TEXAS COMPREHENSIVE

ANNUAL FINANCIAL REPORT YEAR ENDED

SEPTEMBER 30, 2020

Prepared by: Department of Finance

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CITY OF PFLUGERVILLE, TEXAS

SEPTEMBER 30, 2020

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April 23, 2021

Honorable Mayor and City Council,
Members of the Finance and Budget Committee,
and Citizens of Pflugerville, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Pflugerville, Texas, for the fiscal year ended September 30, 2020, including the independent auditor's report, is hereby submitted. State law requires that every municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The City of Pflugerville Charter also requires that at the close of each fiscal year, the Council shall call for an independent audit of all City accounts to be conducted by a certified public accountant. This report is published to fulfill those requirements for the fiscal year ended September 30, 2020.

Additionally, this report is published to provide City Council Members, our citizens, City bondholders, representatives of financial institutions, and other interested persons, with detailed information concerning the financial condition of the City government.

The City's Finance Department has prepared this report and assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Pflugerville's financial statements for the year ended September 30, 2020. 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. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Pflugerville, Texas, incorporated in 1965, is located 15.6 miles northeast of downtown Austin, the State Capital of Texas. This location places the City of Pflugerville within three hours driving time of ninety percent of the population of the State of Texas. As with much of the Central Texas region, the population of Pflugerville continues to grow. For fiscal year 2020, the City's Planning Department has estimated a total population of 74,000. This growth is expected to continue, although the pace may be slowing slightly.

Profile of the City *(continued)*

The City of Pflugerville is empowered to levy a property tax on real property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Pflugerville became a home rule city in 1993 and operates under the council-manager form of government. Policy-making and legislative authority is vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan, at-large basis. The Council appoints the City Manager, who in turn appoints the managers of the various departments. Council members including the mayor serve three-year terms, with two members elected each year.

The City of Pflugerville provides a range of services: police protection; the construction and maintenance of streets and other infrastructure; recreational and cultural activities; water and wastewater service; and contractual solid waste service. Economic development activities are provided through a legally separate corporation, Pflugerville Community Development Corporation, reported separately within the City of Pflugerville's financial statements. Additional information on this component unit can be found in the notes to the financial statements (See Note 1).

The Council is required to adopt a balanced budget by no later than September 30 for the fiscal year beginning on October 1. This annual budget serves as the foundation for the City of Pflugerville's financial planning and control. The budget is prepared by fund and department. The legal level of budgetary control is at the department level.

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 Pflugerville operates. The City of Pflugerville was originally a farming community, developed into a bedroom community, and is now an urban suburb. The City's proximity to major employers such as Dell, Samsung, The University of Texas, and the State of Texas has allowed for rapid growth in the housing market. The City has traditionally relied heavily on revenues from residential property taxes for general fund operating and debt service expenditures.

The increasing population and the City's location surrounding the intersection of two major regional toll roadways, State Highways 130 and 45, has encouraged business growth within the City limits. The City's largest commercial centers, Stone Hill Town Center and 130 Commerce Park are both situated along these major roadways. As these developments near build out, the Pflugerville Community Development Corporation (PCDC) is actively recruiting new businesses. The growth has also allowed the City to diversify its tax base. A 27-acre industrial campus is now complete and provides roughly 350,000 square feet of Class A industrial space at the intersection of Heatherwilde Blvd and State Highway 45. Several office condo buildings are also under construction with more in development review.

An 820,000 square foot Amazon Distribution Center was announced in 2020, which will be operational in 2021 and will employ 1,000 full-time workers. Other projects under construction include several office condo buildings and a new multi-use development located in the Pecan District.

Long-term financial planning

At the end of fiscal year 2020, the unassigned fund balance in the general fund was 54.6% of total general fund operating expenditures for the year. This percentage meets the policy guidelines set by the Council for budgetary and planning purposes that require at least 25% of total general fund expenditures. Through the use of a five-year budget planning cycle, the development of the general fund pro forma for the next five years includes the reduction of the fund balance to the 25% level.

In 2010 the City Council approved an update of the City's Comprehensive Plan. The Comprehensive Plan is the principal guide for use in the daily planning decisions regarding growth, development, and regulation of current and future development within the city limits of the City and its extra-territorial jurisdiction (ETJ).

The City is currently in the process of drafting the Pflugerville 2040 Comprehensive Plan. In September 2020, City Council selected the Comprehensive Plan Advisory Committee, which is tasked to partner with the City and the consultant to create the City's 2040 Comprehensive Plan. The Aspire Pflugerville 2040 Comprehensive Plan will outline where Pflugerville is today and aspires to be by the year 2040. The group will meet through August 2021 with regular updates to the City Council to provide reports and status on their efforts.

COVID-19 – Impacts and Challenges

The COVID-19 coronavirus pandemic has become a worldwide health event, requiring disruptive changes to all aspects of our lives. The City of Pflugerville's official response to COVID-19 began in mid-March when the Mayor declared a public health emergency and City facility closures began. The Governor issued a disaster proclamation for all counties in Texas on March 13, 2020, an order that was most recently renewed on June 11, 2020.

While City facilities are closed to public visits, many City services have continued through online and other remote options. Parks and Recreation and the Library have continued programs by offering alternative opportunities such as online story time, a virtual recreation center, and curbside checkout of Library materials. The City of Pflugerville does not provide public health services; therefore, much of the health-related response has been coordinated by Travis County, the primary county in which the City resides.

The economic impact of the pandemic to the City has been manageable thus far. While a study completed in April estimated that 15% of the businesses in the City were closed at that time, the City's monthly sales tax receipts have continued to exceed FY2019's monthly sales tax revenue. Through July, sales tax collections reflect a stability in internet purchases and food establishments due to our residents staying within Pflugerville. In addition, construction materials related to a large commercial development have contributed to year-over-year growth.

Major initiatives

Through these challenging times, the City has continued to experience rapid population growth and a strong economy as evidenced by the increase in property values, continued residential construction, and expansion of commercial business development.

According to the U.S. Census, the City's population increased from 48,370 in 2010 to an estimated 65,380 (35%) in 2019. The City's Planning Department currently approximates the population at 72,800 and anticipates continuing growth with a projected population between 88,700 and 94,200 by 2025. This growth is reflective of the population increase seen in the entire Central Texas (Austin-Round Rock MSA) region and by the amount of housing currently under development in Pflugerville.

***Major initiatives** (continued)*

In February 2020, construction began on a 3.8 million square foot logistics and distribution center on East Pecan Street, west of State Highway 130. The four and a half story facility will include warehouse and office space. An adjacent 150-acre property was rezoned in June to an urban district zoning allowing for a mix of residential and commercial spaces. On the west side of the City, the Pecan District continues construction on the first phase of a multi-phase, multi-use development. In Stone Hill Town Center, construction has begun on two hotels, while several infill commercial sites are nearing completion. Residential and commercial construction continues throughout the City.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pflugerville for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. To be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. 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.

In addition, the City also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for its summary financial document for the fiscal year ended September 30, 2019. To apply for the PAFR, the City must first have received the Certificate Achievement for Excellence in Financial Reporting.

The City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2019. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to its presentation. Additionally, we would like to express our appreciation to the staff at Pattillo, Brown & Hill, L.L.P. for their assistance and input into the preparation of this document.

We would also like to thank the City Manager, Deputy City Manager, Mayor, City Council, and members of the Finance and Budget Committee for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Pflugerville's finances. The preparation of this report would not be possible without their leadership and support.

Respectfully submitted,

M Moore

Melissa Moore
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pflugerville
Texas

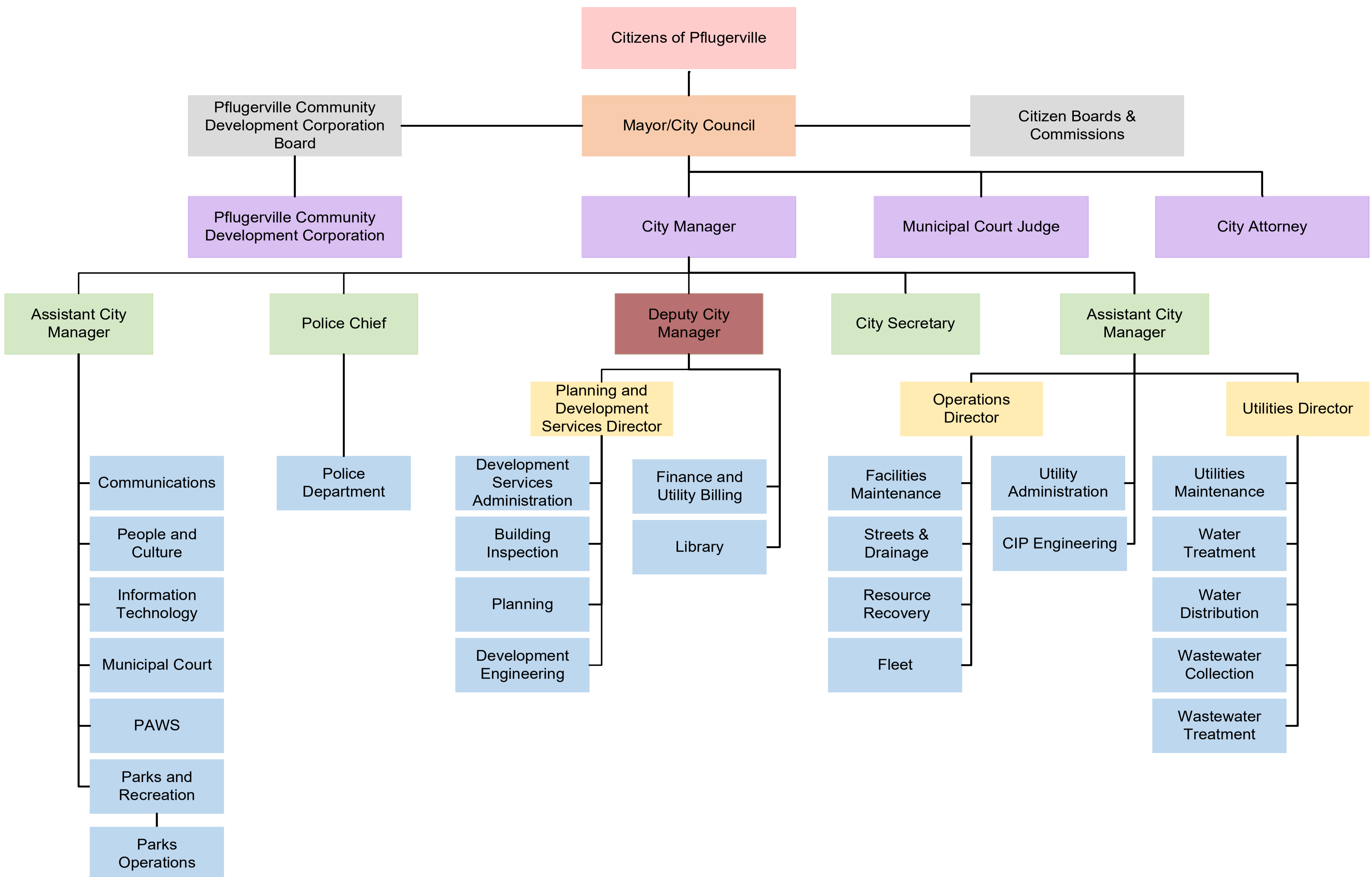
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO

City of Pflugerville, Texas
Organizational Chart



City of Pflugerville, Texas
List of Elected and Appointed Officials
as of September 30, 2020

Elected Officials

City Council
Three-Year Terms

Name	Term Expires
Victor Gonzales, Mayor	November 2022
Omar Peña, Mayor Pro Tem, Place 3	November 2021
Doug Weiss, Place 1	November 2022
Jeff Marsh, Place 2	November 2020
Rudy Metayer, Place 4	November 2020
Mike Heath, Place 5	November 2021
Jim McDonald, Place 6	November 2020

City Staff

Position	Name
City Manager	Sereniah Breland
Deputy City Manager	Trey Fletcher
Assistant City Manager	Amy Giannini
Assistant City Manager	James Hartshorn
Police Chief	Jessica Robledo
City Secretary	Karen Thompson
Communications Director	Terri Toledo

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of City Council
City of Pflugerville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Pflugerville, Texas (the "City"), as of and for the year ended September 30, 2020, 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 preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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 opinions.

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, the discretely presented component unit and each major fund of the City as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information 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, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 23, 2021

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As management of the City of Pflugerville, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2020, by $293,676,948 (net position). Of this amount, $29,490,228 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $48,969,618, a decrease of $154,970 in comparison with the prior year. While operating revenues increased, the City spent down existing bond funds resulting in a decrease in total fund balance.

- At the end of the 2019-2020 fiscal year, unassigned fund balance for the general fund was $21,193,024 or 54.6% of general fund operating expenditures. The City Charter requires a fund balance equivalent to 25% of operating expenditures each fiscal year. For fiscal year 2020 that amount was $9.7 million.

- The City's total bonded debt decreased by $9,378,280 (3.3%) during the current fiscal year as a result of current debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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 report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

The *statement of net position* presents information on all the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources to arrive at net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the City is improving or deteriorating. To assess the overall health of the City, one needs to consider other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

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 vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, public works and streets, and culture and recreation. The business-type activities of the City include water, wastewater, and solid waste services. Fees charged to customers fund the costs of providing these services.

The government-wide financial statements can be found on pages 13-16 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 the funds of the City can be divided into two categories: governmental funds and proprietary funds. The fund financial statements provide more detailed information about the City's most significant funds and will be more familiar to traditional users of government financial statements. The focus is on major funds rather than fund types.

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.

The governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental fund financial statements that explain the reconciliation between the fund statements and the government-wide statements.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the debt service fund, and the capital projects fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The reserve funds are a subset of the general fund that is not subject to the annual budget process, with spending authorized separately by the City Council.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds – Services for which the City charges fees and rates that intend to fully recover the cost of providing the service are reported in proprietary funds. Two types of proprietary funds are allowed in governmental accounting: enterprise funds and internal service funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The City has only one proprietary fund (the utility fund) and no internal service funds.

The City's enterprise fund is substantially the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The City utilizes the enterprise fund to account for its water, wastewater, and solid waste services. The basic proprietary fund financial statements can be found on pages 23-27 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 28-55.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including this discussion and analysis and information concerning the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 56-60.

Financial Analysis of the City as a Whole

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 64,559,888	$ 62,747,001	$ 52,044,387	$ 70,533,153	$ 116,604,275	$ 133,280,154
Capital assets	259,020,792	256,752,048	220,101,555	187,161,446	479,122,347	443,913,494
Total assets	323,580,680	319,499,049	272,145,942	257,694,599	595,726,622	577,193,648
Deferred outflows	6,818,093	9,085,839	3,873,200	4,314,039	10,691,293	13,399,878
Long-term liabilities	175,167,325	184,748,879	109,720,888	113,609,540	284,888,213	298,358,419
Other liabilities	12,441,390	13,943,850	12,678,093	4,211,273	25,119,483	18,155,123
Total liabilities	187,608,715	198,692,729	122,398,981	117,820,813	310,007,696	316,513,542
Deferred inflows	2,430,310	202,020	302,961	30,214	2,733,271	232,234
Net Position:						
Net investment in capital assets	118,439,370	115,321,957	120,254,280	107,130,898	238,693,650	222,452,855
Restricted	5,601,443	4,291,525	19,891,627	15,194,665	25,493,070	19,486,190
Unrestricted	16,318,935	10,076,657	13,171,293	21,832,048	29,490,228	31,908,705
Total Net Position	$ 140,359,748	$ 129,690,139	$ 153,317,200	$ 144,157,611	$ 293,676,948	$ 273,847,750

City of Pflugerville - Net Position

- A portion of the City's net position, $25,493,070 (8.7%), represents resources that are subject to external restriction on how they may be used. The unrestricted net position, $29,490,228 (10.0%), may be used to meet the City's ongoing obligations to citizens and creditors.

- Capital assets increased in the governmental activities due to completed and ongoing capital projects as well as a land purchase. Long-term debt decreased as a result of current debt payments. Net position in the governmental activities increased primarily due to an increase in property and sales tax revenues.

- Current assets and long-term liabilities decreased in the business-type activities reflecting a decrease in cash and investments and payment of current debt obligations.

- At the end of the current fiscal year, the City can report positive balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. This status was also true for the prior fiscal year.

The following table provides a summary of the City's operations for the year ended September 30, 2020.

City of Pflugerville - Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 4,754,470	$ 5,549,615	$ 35,260,752	$ 31,533,181	$ 40,015,222	$ 37,082,796
Operating grants and contributions	4,257,314	643,597	-	-	4,257,314	643,597
Capital grants and contributions	14,356,994	14,631,476	9,785,344	10,549,604	24,142,338	25,181,080
General revenues:						
Property taxes	30,820,419	27,978,714	-	-	30,820,419	27,978,714
Other taxes	17,220,667	15,261,987	-	-	17,220,667	15,261,987
Other	1,567,660	2,176,016	819,569	1,596,458	2,387,229	3,772,474
Total revenues	72,977,524	66,241,405	45,865,665	43,679,243	118,843,189	109,920,648
Expenses:						
General government	10,380,450	10,334,226	-	-	10,380,450	10,334,226
Public safety	16,333,177	18,249,987	-	-	16,333,177	18,249,987
Public works and streets	24,140,755	20,644,336	-	-	24,140,755	20,644,336
Culture and recreation	6,340,215	6,601,853	-	-	6,340,215	6,601,853
Interest on long-term debt	6,153,812	6,037,591	-	-	6,153,812	6,037,591
Water and wastewater	-	-	29,867,821	27,359,843	29,867,821	27,359,843
Solid waste	-	-	5,797,761	5,093,945	5,797,761	5,093,945
Total expenses	63,348,409	61,867,993	35,665,582	32,453,788	99,013,991	94,321,781
Increases in net position before transfers	9,629,115	4,373,412	10,200,083	11,225,455	19,829,198	15,598,867
Transfers	1,040,494	777,858	(1,040,494)	(777,858)	-	-
Change in net position	10,669,609	5,151,270	9,159,589	10,447,597	19,829,198	15,598,867
Net position, beginning	129,690,139	124,538,869	144,157,611	133,710,014	273,847,750	258,248,883
Net position, ending	$ 140,359,748	$ 129,690,139	$ 153,317,200	$ 144,157,611	$ 293,676,948	$ 273,847,750

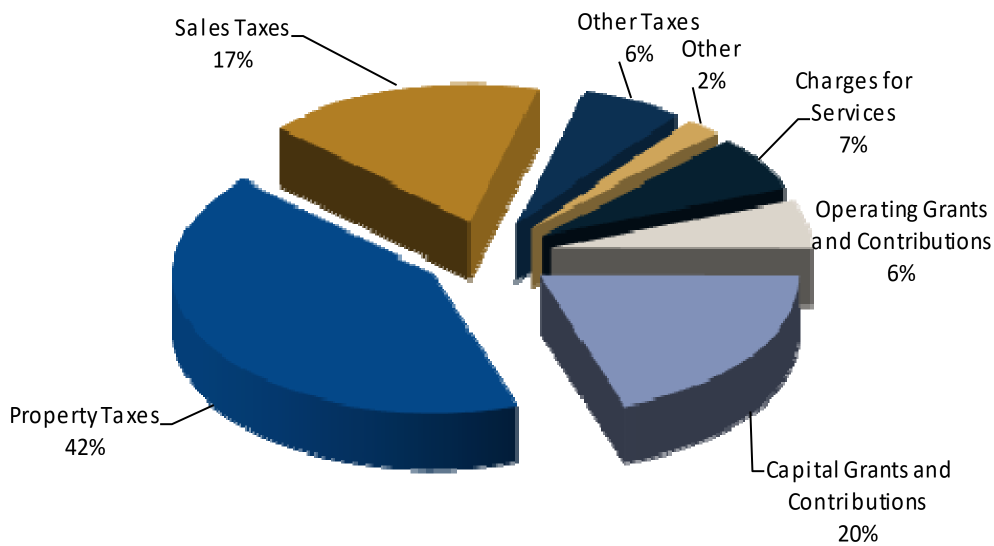
Revenues

- Property tax revenue, including penalties and interest, increased 10.2% ($2,841,705) during this fiscal year. This was due to an increase in appraised value on new and existing property in the City.
- Property tax revenue accounts for 42.2% of total revenues for governmental activities.
- Assessed valuations increased for the fiscal year by over $572 million.
- The ad valorem tax rate for fiscal year 2020 was $0.4976 per $100 of assessed valuation. This was the same as the prior year rate.
- Sales tax revenue was $12.6 million for fiscal year 2020, an increase of 14.5% over the prior year. Sales tax revenue constitutes 17% of the total revenue for governmental activities.
- Other taxes, which include franchise, mixed beverage and hotel occupancy taxes, totaled $4.6 million.

- Program revenue is derived from the program itself and reduces the cost of the function to the City. Total program revenue for both governmental and business-type activities is described below.

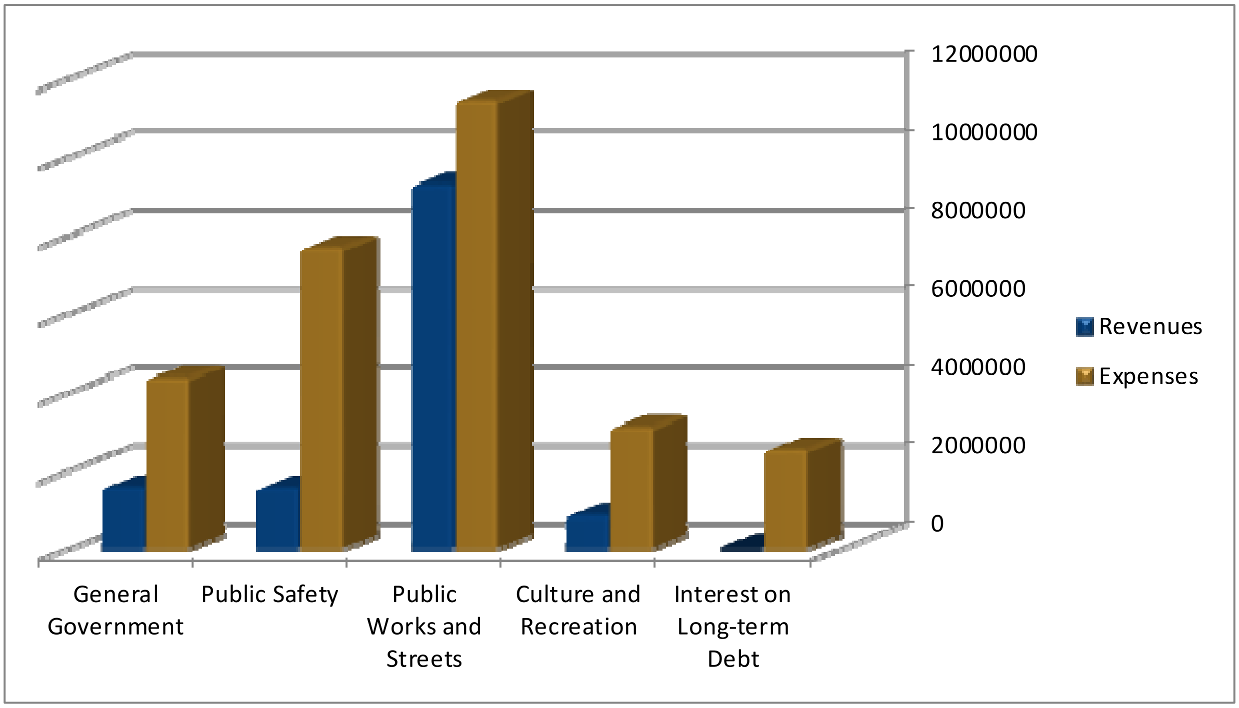
    - **Governmental activities program revenue** was $23.4 million. Capital grants and contributions such as infrastructure from developers are the largest components of this revenue category. A portion, $4.8 million, of revenue this fiscal year was charges for services such as receipts primarily from development and building inspection fees, parks and pool fees, and court fines.

    - **Business-type activities program revenue** totaled $45 million. The majority of these revenues are reported in the category Charges for Services, which represents receipts from utility customers for water, wastewater, and solid waste services. Capital contributions, which include infrastructure contributed by developers and impact fees, accounted for $9.8 million of revenue during fiscal year 2020.



Expenses and Program Revenues

Governmental activities. The expenses in the chart below include depreciation expense through all categories. Depreciation expense totaled $19,139,376. Removing depreciation expense, the operating expenditures for governmental activities increased slightly by 1.85% in fiscal year 2020. Most of the departments saw cost decreases, however increased street maintenance and repairs attributed to the overall increase. Program revenues increased 12.2% over the prior year. Charges for services decreased because of the Stay-at-Home Order. However, the City received CARES Act funding that comprised most of the increase.



Business-type activities. Business-type activities increased the City's net position by $9.2 million. This increase in net position was composed primarily of increased water and wastewater due to growth and increased capital contributions (water and wastewater infrastructure donations) from developers. Charges for services for business-type activities increased 11.8% during fiscal year 2020 due to growth within the City.

Financial Analysis of the City'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 spendable 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 government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $48,969,618, a decrease of $154,970 in comparison with the fiscal year beginning fund balance. While operating revenues increased, the City spent down existing bond funds resulting in a decrease in total fund balance. Approximately 43% of this total amount ($21.1 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because it has already been designated for a specific purpose. Funds have been restricted, by law or outside sources, to pay for capital projects ($19,379,926); debt service ($3,956,733); and specific programs in the special revenue fund ($2,477,377).

In addition, funds have been committed by the City Council to pay for specific programs in the special revenue fund ($73,726) and ($1,946,000) for the subsequent year's budget.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was $21,193,024. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 54.6% of total general fund expenditures.

The fund balance of the City's general fund increased by $3,479,116 during fiscal year 2020. General fund property tax revenue increased 6.3% from fiscal year 2019 due to higher average residential value within the City and growth from new construction. Sales tax revenue increased 18.1% during fiscal 2020 to $13 million as new retail continues to develop within the City.

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to be expended for specified purposes. These include funds received from various federal and State of Texas agencies for the City's equitable share of proceeds from seized and forfeited property; fees for child safety; fees for training and technology; fees for Public, Educational, and Governmental (PEG) access channels; hotel occupancy tax (HOT) received; property tax received from a Tax Increment Reinvestment Zone (TIRZ), and reimbursements for the Community Development Block Grant (CDBG). The largest portion of revenues from this fund comes from property taxes received from the TIRZ. The largest portion of expenditures from this fund comes from CDBG-related expenditures.

Special revenue funds were also spent on equipment for the police department, school crossing guard services, upgrading PFTV media equipment and street improvements approved through CDBG. Transfers to debt service for TIRZ contractual obligations are also included. The increase in fund balance is due a reduction in activity related to the COVID 19 Pandemic.

The debt service fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest. On September 30, 2020, this fund had a total balance of $3,956,733. The increase in this fund balance was due to a decrease in the full year of debt service issuance costs as 2019 included costs for the issuance of refunding bonds.

The capital projects fund is used to account for financial resources dedicated for the acquisition or construction of major capital facilities other than those financed by the proprietary funds. Expenditures for construction projects include Pecan Street Intersection improvements, subdivision streets reconstruction, and park development including Wilbarger Creek Park and Stone Hill Splashpad.

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

Unrestricted net position of the utility fund at the end of the year amounted to $13,171,293. The total growth in net position was $9,159,589. This increase in net position was composed primarily of increased revenues in water and wastewater sales due to growth and increased demand.

General Fund Budgetary Highlights

The following is a brief review of the budgetary changes from the original to the final budget.

The City approved multiple sets of general fund budget amendments during the fiscal year 2020. These amendments increased the overall budgeted expenditures by $2,777,836 from the original budget, an increase of 6.6%. This increase was offset by various revenues received in excess of the original budget, including a transfer from fund balance, grants, and development revenues.

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, 2020, amounts to $479,122,347, net of depreciation. This investment in capital assets includes land, buildings, machinery and equipment, software, park facilities, streets, water and wastewater facilities, and infrastructure.

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

- Construction was completed on the Pecan Street at Biltmore Avenue improvements project, the El Malino Drive and Bellemeade Boulevard project, and the subdivision streets reconstruction.

- Construction continued on Wilbarger Creek Park and Stone Hill Splash Pad.

- Construction was completed on the Swenson Farms Pressure Reducing Valves.

- Construction work continues on the West SH130 Interceptor and the Central Wastewater Treatment Plant Capacity Expansion.

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	$ 13,983,390	$ 13,181,004	$ 8,289,161	$ 8,289,161	$ 22,272,551	$ 21,470,165
Service rights	-	-	250,000	250,000	250,000	250,000
Buildings and improvements	35,885,274	39,995,480	8,405,960	8,920,737	44,291,234	48,916,217
Machinery and equipment	5,696,240	5,935,252	1,649,035	1,376,117	7,345,275	7,311,369
Software	888,783	962,848	-	-	888,783	962,848
Infrastructure	195,464,010	193,003,849	161,160,396	159,970,146	356,624,406	352,973,995
Construction in progress	7,103,095	3,673,615	40,347,003	8,355,285	47,450,098	12,028,900
Total capital assets	$ 259,020,792	$ 256,752,048	$ 220,101,555	$ 187,161,446	$ 479,122,347	$ 443,913,494

The City's financial policies mandate maintenance and repair of the City's capital assets and infrastructure. The City budgets for ongoing street maintenance projects in addition to staff costs and other maintenance costs of the street department. Water and wastewater infrastructure maintenance is budgeted within the utility fund.

Additional information on the City’s capital assets can be found in Note VI to the financial statements.

Long-term Debt. At September 30, 2020, the City had total bonded debt outstanding of $250,060,000 secured by the full faith and credit of the City. Of this amount, $64,007,999 represents General Obligation bonds approved by a vote of the citizens. The remainder represents Certifications of Obligation and limited refunding bonds that support both governmental and business-type (utility) activities.

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Limited tax bonds	$ 25,100,000	$ 25,410,000	$ -	$ -	$ 25,100,000	$ 25,410,000
Limited tax refunding bonds	21,985,948	24,290,397	47,819,052	49,949,603	69,805,000	74,240,000
Limited tax and refunding bonds	63,012,345	64,145,195	7,797,655	8,259,805	70,810,000	72,405,000
Certificates of obligation	41,584,000	43,087,250	42,761,000	43,427,750	84,345,000	86,515,000
Total	$ 151,682,293	$ 156,932,842	$ 98,377,707	$ 101,637,158	$ 250,060,000	$ 258,570,000

The City’s total debt outstanding decreased by $8,510,000 (3.3%) during the current fiscal year as a result of current debt payments.

The State of Texas limits the legal amount of tax levy available for general obligation debt service to $1.50 per $100 valuation. The City 's 2020 debt levy equaled $0.1872 per $100 assessed valuation, or 12.5% of the maximum allowed.

Additional information about the City's long-term debt is presented in Note VI to the financial statements.

Economic Factors and Next Year's Budget and Rates

Through these challenging times, the City has continued to experience rapid population growth and a strong economy as evidenced by the increase in property values, continued residential construction, and expansion of commercial business development. According to the U.S. Census, the City's population increased from 48,370 in 2010 to an estimated 65,380 (35%) in 2019. The City's Planning Department currently approximates the population at 72,800 and anticipates continuing growth with a projected population between 88,700 and 94,200 by 2025. This growth is reflective of the population increase seen in the entire Central Texas (Austin/Round Rock MSA) region and by the amount of housing currently under development in Pflugerville.

In February 2020, construction began on a 3.8 million square foot logistics and distribution center on East Pecan Street, west of State Highway 130. The four and a half story facility will include warehouse and office space. An adjacent 150-acre property was rezoned in June to an urban district zoning allowing for a mix of residential and commercial spaces. On the west side of the City, the Pecan District continues construction on the first phase of a multi-phase, multi-use development. In Stone Hill Town Center, construction has begun on two hotels, while several infill commercial sites are nearing completion. Residential and commercial construction continues throughout the City.

This construction and new development have generated an increase in appraised property values. The City's appraised value for FY21 (tax year 2020) increased by 7.1% over the prior year to $6.64 billion, as determined by the Travis and Williamson Central Appraisal Districts. For FY21, the average residential taxable value is $258,167, an increase of 1% over the prior year.

A growing population and increasing development pressures have also highlighted the need for critical utility projects necessary to serve customers resulting from future development. The recently completed water and wastewater master plans identify and evaluate those critical projects and have guided the capital improvement program outlined for those utility systems.

The budgeting process focused on lean government operations ahead of recently ratified state legislation that constrains property and franchise tax revenues. The FY21 budget includes an ad valorem property tax rate of $0.4863 per $100 in valuation, based on a 3.5% increase in the operations rate and is a decrease from the prior year's adopted rate of $0.4976. However, due to the continued growth in the City, the approved property tax rate provides funding for $19.5 million of the general fund budget, an increase of 8% over the prior year.

Contacting the City's Financial Management

This report is designed to provide City Council, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact:

Finance Department
City of Pflugerville
100 East Main, Suite 100
Pflugerville, TX 78660

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finance@pflugervilletx.gov

where quality meets life

PFLUGERVILLE

TEXAS

BASIC FINANCIAL STATEMENTS

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pflugerville Community Development Corporation
ASSETS				
Cash and investments	$ 32,006,867	$ 12,555,615	$ 44,562,482	$ 11,566,268
Receivables (net of allowance)	7,483,814	4,971,774	12,455,588	1,182,267
Internal balances	578,288	(578,288)	-	-
Due from component unit	32,616	-	32,616	-
Restricted assets:				
Restricted cash and investments	24,458,303	35,095,286	59,553,589	-
Investment in direct financing lease	-	-	-	21,850,000
Capital assets, not being depreciated:				
Land	13,983,390	8,289,161	22,272,551	3,722,742
Service rights	-	250,000	250,000	-
Construction in progress	7,103,095	40,347,003	47,450,098	-
Capital assets, net of depreciation:				
Buildings and improvements	35,885,274	8,405,960	44,291,234	150,781
Machinery and equipment	5,696,240	1,649,035	7,345,275	53,230
Software	888,783	-	888,783	-
Infrastructure and system	195,464,010	161,160,396	356,624,406	-
Total assets	323,580,680	272,145,942	595,726,622	38,525,288
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	2,377,010	449,337	2,826,347	-
Related to OPEB - retiree health plan	229,546	37,886	267,432	-
Related to OPEB - TMRS supplemental death benefit	150,594	23,739	174,333	-
Deferred charge on refunding	4,060,943	3,362,238	7,423,181	-
Total deferred outflows of resources	6,818,093	3,873,200	10,691,293	-

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pflugerville Community Development Corporation
LIABILITIES				
Accounts payable	$ 3,737,432	$ 11,418,449	$ 15,155,881	$ 25,126
Wages payable	581,842	94,218	676,060	-
Due to primary government	-	-	-	32,616
Customer deposits and escrow payable	7,096,431	418,154	7,514,585	-
Accrued interest payable	1,025,685	747,272	1,772,957	442,695
Noncurrent liabilities:				
Due within one year:				
Long-term debt	5,780,255	3,599,608	9,379,863	835,000
Total OPEB liability - retiree health plan	17,685	3,440	21,125	-
Total OPEB liability - supplemental death benefit	3,374	656	4,030	-
Due in more than one year:				
Long-term debt	159,140,158	104,128,689	263,268,847	21,620,000
Net pension liability	8,157,764	1,586,340	9,744,104	-
Total OPEB liability - retiree health plan	1,383,409	269,013	1,652,422	-
Total OPEB liability - supplemental death benefit	684,680	133,142	817,822	-
Total liabilities	187,608,715	122,398,981	310,007,696	22,955,437
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	2,298,154	277,563	2,575,717	-
Related to OPEB - TMRS supplemental death benefit	36,816	7,159	43,975	-
Related to OPEB - retiree health plan	95,340	18,239	113,579	-
Total deferred inflows of resources	2,430,310	302,961	2,733,271	-
NET POSITION				
Net investment in capital assets	118,439,370	120,254,280	238,693,650	3,926,753
Restricted for capital projects	-	19,891,627	19,891,627	-
Restricted for specific programs	2,477,377	-	2,477,377	-
Restricted for debt service	3,124,066	-	3,124,066	-
Restricted for economic development	-	-	-	11,643,098
Unrestricted	16,318,935	13,171,293	29,490,228	-
Total net position	$ 140,359,748	$ 153,317,200	$ 293,676,948	$ 15,569,851

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 10,380,450	$ 4,026,083	$ 528,096	$ -
Public safety	16,333,177	544,821	3,597,412	-
Public works and streets	24,140,755	-	-	14,356,994
Culture and recreation	6,340,215	183,566	131,806	-
Interest and fiscal charges	6,153,812	-	-	-
Total governmental activities	63,348,409	4,754,470	4,257,314	14,356,994
Business-type activities:				
Water and wastewater	29,867,821	29,213,952	-	9,785,344
Solid waste	5,797,761	6,046,800	-	-
Total business-type activities	35,665,582	35,260,752	-	9,785,344
Total primary government	$ 99,013,991	$ 40,015,222	$ 4,257,314	$ 24,142,338
Component unit				
Pflugerville Community Development Corporation	$ 3,481,198	$ -	$ -	$ -

General revenues:

Taxes:

Property

Sales

Franchise

Mixed beverage

Hotel

Unrestricted investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Pflugerville Community Development Corporation
$(5,826,271)	$ -	$(5,826,271)	
(12,190,944)	-	(12,190,944)	
(9,783,761)	-	(9,783,761)	
(6,024,843)	-	(6,024,843)	
(6,153,812)	-	(6,153,812)	
(39,979,631)	-	(39,979,631)	
-	9,131,475	9,131,475	
-	249,039	249,039	
-	9,380,514	9,380,514	
(39,979,631)	9,380,514	(30,599,117)	
			$(3,481,198)
30,820,419	-	30,820,419	-
12,640,956	-	12,640,956	6,313,114
4,231,465	-	4,231,465	-
112,943	-	112,943	-
235,303	-	235,303	-
648,228	727,396	1,375,624	90,236
919,432	92,173	1,011,605	-
1,040,494	(1,040,494)	-	-
50,649,240	(220,925)	50,428,315	6,403,350
10,669,609	9,159,589	19,829,198	2,922,152
129,690,139	144,157,611	273,847,750	12,647,699
$ 140,359,748	$ 153,317,200	$ 293,676,948	$ 15,569,851

CITY OF PFLUGERVILLE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2020

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental
ASSETS					
Cash and investments	$ 22,028,763	$ 2,875,674	$ -	$ 7,102,430	$ 32,006,867
Taxes receivable	2,844,250	22,031	193,018	-	3,059,299
Other receivables	4,112,174	274,341	-	38,000	4,424,515
Due from other funds	666,658	24,386	114,508	-	805,552
Due from component unit	32,616	-	-	-	32,616
Restricted investments	-	-	3,847,985	20,610,318	24,458,303
Total assets	29,684,461	3,196,432	4,155,511	27,750,748	64,787,152
LIABILITIES					
Accounts payable	1,849,248	638,854	-	1,249,330	3,737,432
Wages payable	581,842	-	-	-	581,842
Due to other funds	132,800	63,643	5,760	25,061	227,264
Escrow payable	-	-	-	7,096,431	7,096,431
Total liabilities	2,563,890	702,497	5,760	8,370,822	11,642,969
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	344,498	-	193,018	-	537,516
Unavailable revenue - court fines	177,896	-	-	-	177,896
Unavailable revenue - grants	3,459,153	-	-	-	3,459,153
Total deferred inflows of resources	3,981,547	-	193,018	-	4,174,565
FUND BALANCES					
Restricted for:					
Debt service	-	-	3,956,733	-	3,956,733
Capital projects	-	-	-	19,379,926	19,379,926
Specific programs	-	2,477,377	-	-	2,477,377
Committed for:					
Specific programs	-	73,726	-	-	73,726
Subsequent year's budget: appropriation of fund balance	1,946,000	-	-	-	1,946,000
Unassigned	21,193,024	(57,168)	-	-	21,135,856
Total fund balance	23,139,024	2,493,935	3,956,733	19,379,926	48,969,618
Total liabilities, deferred inflows of resources, and fund balances	$ 29,684,461	$ 3,196,432	$ 4,155,511	$ 27,750,748	$ 64,787,152

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

AS OF SEPTEMBER 30, 2020

Fund balances of governmental funds	$ 48,969,618
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.	259,020,792
Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(151,682,293)
The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements.	(1,841,164)
Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(898,122)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(1,025,685)
Premiums and discounts on bond issuances are recorded as other financing sources and uses when received in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.	(12,339,998)
Deferred charges on bond refundings are recognized in the fund financial statements when bonds are issued but are capitalized and amortized in the government-wide financial statements over the life of the bonds.	4,060,943
Included in long-term liabilities is the recognition of the City's net pension liability in the amount of $8,157,764, a related deferred outflow of resources of $2,377,010 and a related deferred inflow of resources of $2,298,154. This results in a decrease in net position.	(8,078,908)
Receivables from property taxes ($537,516), fines ($177,896) and grants ($3,459,153) are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	4,174,565
Net position of governmental activities	$ 140,359,748

The accompanying notes are an integral
part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental
REVENUES					
Taxes:					
Property	$ 18,070,351	$ 1,593,162	$ 11,055,313	$ -	$ 30,718,826
Sales	12,640,956	-	-	-	12,640,956
Franchise	4,135,959	95,506	-	-	4,231,465
Mixed beverage	112,943	-	-	-	112,943
Hotel	-	235,303	-	-	235,303
Licenses and permits	4,049,908	58,179	-	-	4,108,087
Intergovernmental	1,004,028	397,458	749,438	2,043,961	4,194,885
Fines and forfeitures	416,715	42,966	-	-	459,681
Investment income	303,540	17,058	59,843	267,787	648,228
Charges for services	129,457	-	-	-	129,457
Deutschen Pfest income	-	6,400	-	-	6,400
Miscellaneous	165,477	5,385	-	-	170,862
Total revenues	41,029,334	2,451,417	11,864,594	2,311,748	57,657,093
EXPENDITURES					
Current:					
General government	9,421,217	600,431	-	-	10,021,648
Public safety	14,949,150	135,173	-	-	15,084,323
Public works and streets	7,732,607	-	-	-	7,732,607
Culture and recreation	4,338,378	12,158	-	-	4,350,536
Debt service:					
Agent fees/issuance costs	-	-	5,786	-	5,786
Interest	-	1,837	6,580,660	-	6,582,497
Principal retirement	-	-	5,250,549	-	5,250,549
Capital outlay	2,382,032	552,429	-	7,010,259	9,944,720
Total expenditures	38,823,384	1,302,028	11,836,995	7,010,259	58,972,666
EXCESS (DEFICIENCY) OF OVER (UNDER) EXPENDITURES	2,205,950	1,149,389	27,599	(4,698,511)	(1,315,573)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(680,142)	-	(29,006)	(709,148)
Transfers in	1,153,057	-	596,585	-	1,749,642
Sale of capital assets	68,239	-	-	-	68,239
Insurance recoveries	51,870	-	-	-	51,870
Total other financing sources and uses	1,273,166	(680,142)	596,585	(29,006)	1,160,603
NET CHANGE IN FUND BALANCES	3,479,116	469,247	624,184	(4,727,517)	(154,970)
FUND BALANCES, BEGINNING	19,659,908	2,024,688	3,332,549	24,107,443	49,124,588
FUND BALANCES, ENDING	$ 23,139,024	$ 2,493,935	$ 3,956,733	$ 19,379,926	$ 48,969,618

The accompanying notes are an integral
part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds	$(154,970)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlays are expenditures in the fund statements but are shown as increases in capital assets in the government-wide financial statements. The effect of removing capital outlays is to increase net position.	9,569,281
Current year capital asset disposals are shown as decreases in capital assets in the government-wide financial statements but have no effect on the fund statements. The effect of the loss on capital asset disposals is to decrease net position.	(83,255)
The City received street infrastructure contributed by developers. These contributions increase net position.	11,922,094
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording current year depreciation is to decrease net position.	(19,139,376)
Long-term debt principal payments are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.	5,250,549
Decreases to liabilities for compensated absences are not shown in the fund financial statements. The net effect of the current year's decrease is to increase net position.	(176,187)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The decrease in interest accrual increases net position.	108,834
Certain OPEB expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the total OPEB liability were amortized.	(94,140)
Discounts and premiums on bond issuances are recorded as an other financing source or use when received in the fund financial statements but are deferred and amortized in the government-wide financial statements.	547,394
Deferred amount on bond refunding is capitalized in the government-wide financial statements and amortized over the life of the debt. The net effect is to decrease net position.	(221,757)
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of revenues. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's pension expense must be recognized. The net effect is a decrease in net position.	(220,341)
Revenues from property taxes, fines and grants are deferred in the fund financial statements until they are considered available to fund current expenditures, but such revenues are recognized in the government-wide statements.	3,361,483
Change in net position - statement of activities	$ 10,669,609

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	$ 18,122,507	$ 18,122,507	$ 18,070,351	$(52,156)
Sales	11,150,000	11,150,000	12,640,956	1,490,956
Franchise	4,100,000	4,100,000	4,135,959	35,959
Mixed beverage	127,000	127,000	112,943	(14,057)
Licenses and permits	3,000,326	3,035,326	4,049,908	1,014,582
Intergovernmental	785,500	1,523,158	1,004,028	(519,130)
Fines and forfeitures	717,070	717,070	416,715	(300,355)
Interest income	500,000	500,000	303,540	(196,460)
Charges for services	593,850	593,850	129,457	(464,393)
Miscellaneous	133,300	133,300	165,477	32,177
Total revenues	39,229,553	40,002,211	41,029,334	1,027,123
EXPENDITURES				
Current:				
General government:				
Administration	1,212,813	1,212,813	1,354,771	(141,958)
Legal	457,000	457,000	437,513	19,487
Information technology	1,440,603	1,440,603	1,279,466	161,137
Development services admin	1,018,743	1,018,743	689,961	328,782
Planning	1,876,624	1,876,624	1,232,080	644,544
Court	465,315	465,315	349,326	115,989
Fleet	287,337	287,337	278,151	9,186
City Manager's office	1,661,921	2,427,635	1,679,068	748,567
People & culture	743,805	743,805	551,965	191,840
Finance	1,110,522	1,110,522	944,353	166,169
Fleet	699,634	699,634	624,563	75,071
Public safety:				
Building	731,395	766,395	691,005	75,390
Animal welfare services	794,896	817,192	723,961	93,231
Police	14,053,302	14,288,602	13,534,184	754,418
Public works and streets:				
Development engineering	-	-	31,943	(31,943)
CIP Engineering	2,682,023	3,152,516	2,297,527	854,989
Streets and drainage	5,266,490	5,266,490	4,587,439	679,051
Resource recovery	441,189	441,189	358,900	82,289
Facilities maintenance	606,837	606,837	456,798	150,039
Culture and recreation:				
Library	1,474,166	1,474,166	1,367,768	106,398
Parks and recreation	2,352,313	2,352,313	1,783,701	568,612
Parks operations	1,505,546	1,577,046	1,186,909	390,137
Capital outlay	1,319,309	2,496,842	2,277,869	218,973
Total expenditures	42,201,783	44,979,619	38,719,221	6,260,398
Expenditures in sub-funds of the General Fund that are not budgeted			104,163	
Total expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance			$ 38,823,384	

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Continued)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,972,230)	(4,977,408)	2,310,113	7,287,521
OTHER FINANCING SOURCES (USES)				
Transfers in	1,461,576	1,461,576	1,153,057	(308,519)
Fund balance transfer	1,500,000	3,505,178	-	(3,505,178)
Sale of capital assets	15,000	15,000	68,239	53,239
Insurance recoveries	15,000	15,000	51,870	36,870
Total other financing sources and uses	2,991,576	4,996,754	1,273,166	(3,723,588)
NET CHANGE IN FUND BALANCE (BUDGETED SUBFUNDS ONLY,	$ 19,346	$ 19,346	3,583,279	$ 3,563,933
Effect of nonbudgeted subfunds - vehicle reserve funds			(104,163)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			3,479,116	
FUND BALANCE, BEGINNING			19,659,908	
FUND BALANCE, ENDING			$ 23,139,024	

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2020

	Enterprise Fund Utility
ASSETS	
Current assets:	
Cash and investments	$ 12,555,615
Restricted cash and investments	514,826
Accounts receivable, net	4,971,774
Total current assets	18,042,215
Non-current assets:	
Restricted cash and investments:	
Bond accounts	14,688,833
Impact fees	19,891,627
Capital assets:	
Land	8,289,161
Service rights	250,000
Buildings and improvements	15,453,318
Equipment	5,749,580
Infrastructure and system	226,067,194
Construction in progress	40,347,003
Less accumulated depreciation	(76,054,701)
Total capital assets, net of accumulated depreciation	220,101,555
Total non-current assets	254,682,015
Total assets	272,724,230
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,362,238
Related to pensions	449,337
Related to OPEB - retiree health plan	37,886
Related to OPEB - TMRS supplemental death benefit	23,739
Total deferred outflows of resources	3,873,200

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2020

	Enterprise Fund Utility
LIABILITIES	
Current liabilities:	
Accounts payable	$ 11,418,449
Wages payable	94,218
Due to other funds	578,288
Customer deposits	418,154
Accrued interest payable	747,272
Total current liabilities	13,256,381
Non-current liabilities:	
Due within one year:	
Long-term debt	3,599,608
Total OPEB liability - retiree health plan	3,440
Total OPEB liability - TMRS supplemental death benefit	656
Due in more than one year:	
Long-term debt	104,128,689
Net pension liability	1,586,340
Total OPEB liability - retiree health plan	269,013
Total OPEB liability - TMRS supplemental death benefit	133,142
Total non-current liabilities	109,720,888
Total liabilities	122,977,269
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	277,563
Related to OPEB - TMRS supplemental death benefit	7,159
Related to OPEB - retiree health plan	18,239
Total deferred inflows of resources	302,961
NET POSITION	
Net investment in capital assets	120,254,280
Restricted for capital projects	19,891,627
Unrestricted	13,171,293
Total net position	$ 153,317,200

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Fund
	Utility
OPERATING REVENUE	
Charges for sales and services:	
Water sales	$ 18,790,415
Wastewater sales	10,423,537
Solid waste sales	6,046,800
Other income	92,173
Total operating revenues	35,352,925
OPERATING EXPENSES	
Utility administration	5,432,659
Water operations	11,888,566
Wastewater operations	2,757,509
Solid waste operations	5,797,761
Depreciation and amortization	5,347,942
Total operating expenses	31,224,437
OPERATING INCOME	4,128,488
NONOPERATING REVENUES (EXPENSES)	
Investment income	727,396
Interest expense and fees	(4,441,840)
Gain (loss) on sale of capital assets	695
Total nonoperating revenues (expenses)	(3,713,749)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	414,739
Capital contributions	9,785,344
Transfers out	(1,040,494)
CHANGE IN NET POSITION	9,159,589
NET POSITION, BEGINNING	144,157,611
NET POSITION, ENDING	$ 153,317,200

The accompanying notes are an integral
part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Fund
	Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 35,462,058
Payments to or on behalf of employees	(5,044,039)
Payments to suppliers	(11,665,868)
Net cash provided by operating activities	18,752,151
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to other funds	(1,040,494)
Net cash used by noncapital financing activities	(1,040,494)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	4,528,901
Acquisition of capital assets	(33,031,608)
Principal paid on bonds	(3,259,451)
Interest and fiscal charges on debt	(4,829,791)
Proceeds from the sale of assets	695
Net cash used by capital and related financing activities	(36,591,254)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	727,396
Net cash provided by investing activities	727,396
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,152,201)
CASH AND CASH EQUIVALENTS, BEGINNING	65,803,102
CASH AND CASH EQUIVALENTS, ENDING	$ 47,650,901
RECONCILIATION TO STATEMENT OF NET POSITION	
Current assets:	
Cash and investments	$ 12,555,615
Restricted cash and investments	514,826
Non-current assets:	
Restricted cash and investments:	
Bond accounts	14,688,833
Impact fees	19,891,627
Total cash and investments	$ 47,650,901

The accompanying notes are an integral part of these financial statements.

CITY OF PFLUGERVILLE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Fund
	Utility
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	$ 4,128,488
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	5,347,942
(Increase) decrease in assets:	
Accounts receivable	109,133
Increase (decrease) in liabilities:	
Account payable	8,570,961
Accrued liabilities	12,755
Other liabilities	227,432
Customer deposits	(20,425)
Compensated absences	27,862
Net pension liability	239,259
Total OPEB liability	108,744
Net cash provided by operating activities	$ 18,752,151
NONCASH INVESTING AND FINANCING ACTIVITIES	
Infrastructure contributed by developers	$ 5,256,443

The accompanying notes are an integral part of these financial statements.

I. REPORTING ENTITY

The City of Pflugerville, Texas (the City) was incorporated in 1965, under the provisions of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and building inspection), streets, public improvements, general administrative services, culture and recreation, and water, wastewater, and solid waste services.

The financial statements of the City have been prepared in conformity with accounting principles applicable to governmental units that are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in the financial statements that are misleading or incomplete. Generally accepted accounting principles require inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Based on the criteria above, the City has the following discretely presented component unit:

The Pflugerville Community Development Corporation (PCDC). The City adopted (through the election process) an optional ½ cent sales tax for economic development purposes. The PCDC is a nonprofit corporation specifically governed by Section 4B of the Development Corporation Act of 1979, as amended. The purpose of the PCDC is to promote economic development within the City. The seven-member Board of Directors is appointed by the City Council. The Board is regularly accountable to the City Council for all activities undertaken by them or on their behalf and the City can impose its will on the Board. Complete financial statements for the PCDC may be obtained at the entity's administrative offices.

II. 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 on all activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

III. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, hotel taxes, fines, certain charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the City. It is used to account for all financial resources of the general government except those accounted for in another fund.

The ***Special Revenue Fund*** is used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted, committed or assigned to expenditures for specified purposes, such as the Deutschen Pfest, Pflugerville Independent School District Police Department, drug seizure funds, grant monies (including CDBG), TIRZ #1, PEG funds and hotel occupancy taxes.

The ***Debt Service Fund*** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The ***Capital Projects Fund*** is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the proprietary fund types. Such resources are derived from proceeds of general obligation bonds or other sources of revenue specifically set aside for capital projects.

The City reports the following major proprietary fund type:

The ***Utility Fund*** accounts for the City's water, wastewater, and solid waste utilities, including operations, maintenance of the infrastructure and expansion of the system within the City's service territory.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the City's Utility Fund are charges to customers for sales and services. Operating expenses include cost of services and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

IV. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION/FUND BALANCE

A. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund types, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

B. Investments

Investment pools are reported at the net asset value per share, which approximates fair value, even though it is calculated using the amortized cost method.

C. Fair Value Measurements

Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost.)
Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

As of September 30, 2020, the City does not have any investments that qualify for fair value reporting requirements.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles.

E. Restricted Assets and Payables from Restricted Assets

Included in restricted assets of proprietary funds are capital recovery fees (impact fees) that are, by law, restricted for construction of or debt service on future capital improvements.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pension and OPEB related items – These amounts are attributable to the City's participation in a defined benefit retirement plan and are recognized in future periods. See Note 7 and 8 for further information.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions related to the pension and OPEB plans – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenue – The governmental funds report unavailable revenues from property taxes, court fines and grants. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Pension related items – These amounts are attributable to the City's participation in a defined benefit retirement plan and are recognized in future periods. See Note VII for further information.

- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

G. 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 their historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend asset lives are capitalized and depreciated over the useful lives of the related assets, as applicable. Capital assets are capitalized if they have an expected useful life of over two years and an original cost of $5,000 or more for equipment or $25,000 for infrastructure, buildings, and improvements other than buildings. When property or equipment is retired from service or otherwise disposed of, the cost and related accumulated depreciation are removed, and any resulting gain or loss is reported in the statement of activities or in the proprietary fund financial statements.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest expense was capitalized in the enterprise fund during the 2020 fiscal year.

Infrastructure capital assets, such as streets, sidewalks, curbs and gutters, sewers, and drainage systems, built and/or acquired since fiscal year 1960 are included.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Assets	Years
Buildings	30
Utility distribution system	20-50
Streets and public domain infrastructure	15-50
Improvements	15
Equipment	10
Software	5-15

H. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position.

I. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City-specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

J. Other Post-Employment Benefits.

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other post-employment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The total OPEB liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

K. Bond Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period in the fund financial statements. Bond proceeds and premiums are reported as an "other financing source." Bond discounts are reported as an "other financing use". Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types and in the government-wide financial statements, premiums and discounts are reported as deferred charges and amortized over the life of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

L. Compensated Absences

Accumulated earned but unused vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, because of employee resignations and retirements.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

N. Property Taxes

Property is appraised and a lien on such property becomes enforceable as of January 1st of each year. Taxes are levied on and payable the following October 1. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. The City is permitted by the State of Texas to levy taxes up to $2.50 per $100 of assessed valuation for general government services and for the payment of principal and interest on general long-term debt. The combined current tax rate to finance general government services, including debt service for the fiscal year ended September 30, 2020, was $0.4976 per $100 of assessed valuation.

O. Fund Balance

The City classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

> Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2020, the City had no nonspendable fund balances.
>
> Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance is established and modified by a resolution from City Council, the City's highest level of decision-making authority, and can be used only for the specified purposes determined by the Council's resolution.

Assigned fund balance is intended to be used by the City for specific purposes but does not meet the criteria to be classified as restricted or committed. The Council has delegated the authority to assign fund balance to the City Manager or Finance Director.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

At September 30, 2020, the various fund balance purposes were as follows:

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental
Restricted:					
Debt service	$ -	$ -	$ 3,956,733	$ -	$ 3,956,733
Capital projects	-	-	-	19,379,926	19,379,926
Seizure funds	-	125,661	-	-	125,661
Child safety fees	-	77,702	-	-	77,702
LEOSE training	-	14,848	-	-	14,848
Municipal court	-	138,087	-	-	138,087
Bike rodeo	-	1,555	-	-	1,555
Blue Santa	-	16,000	-	-	16,000
National Night Out	-	5,680	-	-	5,680
PEG	-	269,192	-	-	269,192
HOT	-	129,395	-	-	129,395
TIRZ #1	-	1,699,257	-	-	1,699,257
Committed:					
Deutschen Pfest	-	73,726	-	-	73,726
Subsequent year's budget	1,946,000	-	-	-	1,500,000
Unassigned	21,193,024	(57,168)	-	-	21,135,856
Total fund balance	$ 23,139,024	$ 2,493,935	$ 3,956,733	$ 19,379,926	$ 48,523,618

The City uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The City Charter requires that the fund balance of the general fund be at least sufficient to cover three months of the City's budgeted general fund operation and maintenance expenses, except in the event of an emergency. Fund balance may be used for emergency appropriations in accordance with Section 9.04(b) of the City's Charter.

P. General Fund Balance Policy

The City's goal is to achieve and maintain an unassigned fund balance in the General Fund equal to 25% of budgeted operating expenditures per charter. If the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

If unassigned fund balance falls below 25% or if it is anticipated that at the completion of any fiscal year the projected fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to City Council to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such.

Q. Utility Net Position Policy

The City's goal is to achieve and maintain an unrestricted net position in the Utility Fund equal to 25% of budgeted operating expenses. If the unrestricted net position is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

If unrestricted net position falls below 25% or if it is anticipated that at the completion of any fiscal year the projected net position will be less than the minimum requirement, the City Manager shall prepare and submit a plan to City Council to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of net position as well as an estimated timeline for achieving such.

V. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgets reflected in the financial statements:

Ninety days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Work sessions are conducted to obtain Council Members' comments, and public hearings are conducted to obtain citizens' comments. The budget is legally enacted by the City Council through the adoption of an ordinance prior to the beginning of the fiscal year.

The budget for the General Fund is adopted on a budgetary basis. The budgetary comparison schedule presented in this report is also on a budgetary basis. The primary adjustment to generally accepted accounting principles (GAAP) is removal of budgeted fund balance transfers. Formal budget integration is employed as a management control device during the year for the General Fund. The City Manager is authorized to transfer budgeted amounts of operation and maintenance line items within a department. Any revisions that alter the total expenditures or the capital outlays of any fund must be approved by the City Council.

The Vehicle Reserve Fund is a subset of the General Fund, for which formal budgetary integration is not employed.

A legally approved budget is not adopted for the Capital Projects Fund because expenditures in this fund are limited to the funds available from long-term debt issuances. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture. A legally approved budget is not adopted for the Special Revenue Funds. The Special Revenue Funds are expended in accordance with the purpose for which they have been assigned, committed, or restricted.

VI. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Custodial Credit Risk. Deposits (cash and certificates of deposit) in financial institutions are carried at cost which approximates fair values. The City's cash deposits at September 30, 2020, were entirely covered by FDIC insurance and pledged collateral held by the City's agent bank.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) Texas local government investment pools; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit

Insurance Corporation, or its successor; or (b) secured by obligations that are described by (1) – (4); (6) and reverse repurchase agreements not to exceed 90 days to stated maturity.

Following are the City's cash and investments at September 30, 2020:

	Carrying/ Fair Value	Weighted Average Maturity (Days)
Petty cash	$ 2,500	N/A
Deposits with financial institutions	(14,296)	N/A
Lone Star Investment Pool - corporate overnight fund	59,888,669	57
TexPool	44,239,198	38
Total Cash and Investments	$ 104,116,071	49

The Lone Star Investment Pool Corporate Overnight Fund (the Funds) state investments at amortized cost to report net position for purposes of computing share prices. The Lone Star Investment Pool (the Pool) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The Pool is administered by First Public, LLC, a wholly owned subsidiary of the Texas Association of School Boards, Inc. and is governed by an eleven-member Board of Trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. Audited financial statements of the Pool are available at First Public, 12007 Research Blvd., Austin, Texas 78759.

The Board is also responsible for monitoring performance of the pool. The Funds provide participants with daily access to funds and the net asset value of each participant's pro rata interest in each of the Funds is designed to remain constant at one dollar per unit, respectively. The Funds' portfolios are marked-to-market daily. If the Funds' amortized costs are above or below the fair value by more than one-half of one percent, the investment officer will take such action as is deemed appropriate to maintain the per unit net asset values. Independent auditors audit the Fund annually.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at TexPool Participant Services, C/O Federated Investors Inc., 1001 Texas Avenue, Suite 1150, Houston, Texas 77002. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting 20% of the weighted average maturity of the City's investment portfolio for a period of greater than one year. The maximum allowable stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase. However, the maximum dollar-weighted maturity of local government investment pools may not exceed 90 days.

Credit Risk. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2020, the City's investments in Lone Star and TexPool were both rated AAAm by Standard & Poor's.

B. Capital Assets

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 13,181,004	$ 802,386	$ -	$ 13,983,390
Construction in progress	3,673,615	6,461,031	3,031,551	7,103,095
Total assets not being depreciated	16,854,619	7,263,417	3,031,551	21,086,485
Capital assets, being depreciated:				
Buildings and improvements	85,748,385	483,643	-	86,232,028
Machinery and equipment	14,460,017	911,758	301,861	15,069,914
Software	1,110,978	-	-	1,110,978
Infrastructure	395,950,941	15,864,108	-	411,815,049
Total capital assets being depreciated	497,270,321	17,259,509	301,861	514,227,969
Less accumulated depreciation:				
Buildings and improvements	45,752,905	4,593,849	-	50,346,754
Machinery and equipment	8,524,765	1,067,515	218,606	9,373,674
Software	148,130	74,065	-	222,195
Infrastructure	202,947,092	13,403,947	-	216,351,039
Total accumulated depreciation	257,372,892	19,139,376	218,606	276,293,662
Total capital assets, being depreciated, net	239,897,429	(1,879,867)	83,255	237,934,307
Governmental activities capital assets, net	$ 256,752,048	$ 5,383,550	$ 3,114,806	$ 259,020,792

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 8,289,161	$ -	$ -	$ 8,289,161
Service rights	250,000	-	-	250,000
Construction in progress	8,355,285	32,467,749	476,031	40,347,003
Total assets not being depreciated	16,894,446	32,467,749	476,031	48,886,164
Capital assets, being depreciated:				
Buildings and improvements	15,453,318	-	-	15,453,318
Machinery and equipment	5,247,779	585,907	84,106	5,749,580
Infrastructure	220,334,720	5,732,473	-	226,067,193
Total capital assets being depreciated	241,035,817	6,318,380	84,106	247,270,091
Less accumulated depreciation:				
Buildings and improvements	6,532,581	514,777	-	7,047,358
Machinery and equipment	3,871,662	290,941	62,058	4,100,545
Infrastructure	60,364,574	4,542,224	-	64,906,798
Total accumulated depreciation	70,768,817	5,347,942	62,058	76,054,701
Total capital assets, being depreciated, net	170,267,000	970,438	22,048	171,215,390
Business-type activities capital assets, net	$ 187,161,446	$ 33,438,187	$ 498,079	$ 220,101,554

	Beginning Balance	Additions	Deletions	Ending Balance
Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	$ 3,722,742	$ -	$ -	$ 3,722,742
Total assets not being depreciated	3,722,742	-	-	3,722,742
Capital assets, being depreciated:				
Leasehold improvements	295,250	-	-	295,250
Furniture and equipment	149,068	3,799	-	152,867
Total capital assets being depreciated	444,318	3,799	-	448,117
Less accumulated depreciation:				
Leasehold improvements	85,419	59,050	-	144,469
Furniture and equipment	74,917	24,720	-	99,637
Total accumulated depreciation	160,336	83,770	-	244,106
Total capital assets, being depreciated, net	283,982	(79,971)	-	204,011
Discretely presented component unit activities capital assets, net	$ 4,006,724	$(79,971)	$ -	$ 3,926,753

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

Governmental activities:	
General government	$ 298,520
Public safety	953,523
Public works	15,955,317
Culture/recreation	1,932,016
Total depreciation expense - governmental activities	$ 19,139,376
Business-type activities	
Water and sewer	$ 5,347,942
Total depreciation expense - business-type activities	$ 5,347,942

C. Interfund Receivables/Payables and Transfers

The composition of interfund receivables/payables and transfers in/out as of September 30, 2020, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Debt service	Utility	$ 334	Transfer for payables
Debt service	General	114,174	Transfer for payables and property taxes
General	Utility	577,954	Transfer for payables
General	Special revenue	63,643	Transfer for payables
General	Capital	25,061	Transfer for payables
Special revenue	General	18,626	Transfer for payables
Special revenue	Debt service	5,760	Transfer for payables
		$ 805,552	

Transfers In	Transfers Out	Amount	Purpose
General	Utility	$ 1,040,494	Management fee and contribution to General Fund
General	Special revenue	83,557	Contribution to General Fund
Debt service	Special revenue	596,585	TIRZ #1 Contribution to Debt Service
General	Capital projects	29,006	Contribution to General Fund
		$ 1,749,642	

D. Long-term Debt

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 156,932,842	$ -	$(5,250,549)	$ 151,682,293	$ 5,600,631
Premium on bond issuance	12,912,142	-	(566,478)	12,345,664	-
Discount on bonds	(24,750)	-	19,084	(5,666)	-
Compensated absences	721,935	5,392,736	(5,216,549)	898,122	179,624
Governmental activities long-term liabilities	170,542,169	5,392,736	(11,014,492)	164,920,413	5,780,255
Business-type activities					
Utility bonds	101,637,158	-	(3,259,451)	98,377,707	3,579,369
Premium on bond issuance	9,774,332	-	(524,935)	9,249,397	-
Compensated absences	73,331	827,527	(799,665)	101,193	20,239
Business-type activities long-term liabilities	111,484,821	827,527	(4,584,051)	107,728,297	3,599,608
Total long-term debt	282,026,990	6,220,263	(15,598,543)	272,648,710	9,379,863
Discretely presented component unit					
Notes payable	23,255,000	-	(800,000)	22,455,000	835,000
	$ 23,255,000	$ -	$(800,000)	$ 22,455,000	$ 835,000

For the governmental activities, the Debt Service Fund generally has been used to liquidate the general obligation bonds and the General Fund has liquidated compensated absences, the OPEB liability and net pension liability.

E. General Obligation Debt

The annual requirements to retire general long-term debt, including interest, as of September 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2021	$ 5,600,631	$ 6,154,110	$ 11,754,741
2022	5,517,278	5,923,095	11,440,373
2023	5,731,548	5,670,641	11,402,189
2024	5,846,922	5,407,681	11,254,603
2025	6,117,400	5,137,413	11,254,813
2026-2030	34,604,650	21,412,336	56,016,986
2031-2035	39,314,950	13,723,963	53,038,913
2036-2040	20,943,050	7,272,952	28,216,002
2041-2045	21,759,000	3,313,573	25,072,573
2046-2049	6,246,864	386,908	6,633,772
Total	$ 151,682,293	$ 74,402,674	$ 226,084,967

A summary of tax-supported general obligation debt outstanding at September 30, 2020, follows:

		Purpose
$2,000,000 Series 2010 Limited Tax Bonds, due in annual installments of $40,000 to $170,000 through August 1, 2035 and interest at 2% to 4.2%.	$ 1,640,000	Library expansion
$4,130,000 Series 2010 Combination Tax & Revenue Certificates of Obligation, due in annual installments of $85,000 to $350,000 through August 1, 2035 and interest at 2% to 4.2%.	3,365,000	Infrastructure improvements
$10,099,200 Series 2010 Limited Tax Refunding Bonds, due in annual installments of $38,400 to $713,600 through August 1, 2032 and interest at 2% to 4%.	7,225,600	Partial refunding of prior issues 2001 and 2002
$14,982,000 Series 2012 Limited Tax Refunding Bonds, due in annual installments of $21,600 to $926,400 through August 1, 2034 and interest at 2% to 5%.	6,740,348	Partial refunding of prior issues 1999, 2002, 2003, 2004
$2,000,000 Series 2013 Limited Tax Bonds, due in annual installments of $25,000 to $310,000 through August 1, 2033 and interest at 2% to 4%.	1,675,000	Library expansion
$4,600,000 Series 2013 Combination Tax & Revenue Certificates of Obligation, due in annual installments of $50,000 to $730,000 through August 1, 2033 and interest at 2% to 4%.	3,950,000	Street projects
$4,980,000 Series 2014 Combination Tax & Revenue Certificates of Obligation, due in annual installments of $180,000 to $345,000 through August 1, 2033 and interest at 2% to 4.125%.	3,610,000	Infrastructure improvements
$14,027,795 Series 2015 Limited Tax & Refunding Bonds, due in annual installments of $22,050 to $1,011,150 through August 1, 2045 and interest at 2.95% to 4.1%.	12,462,345	Partial refunding of prior issues 2004, 2005; Streets and Parks projects
$8,413,300 Series 2015 Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $102,300 to $478,500 through August 1, 2045 and interest at 2% to 5%.	7,637,800	Streets projects and one small Parks project

		Purpose
$8,630,000 Series 2016A Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $180,000 to $445,000 through August 1, 2046 and interest at 3% to 4%.	$ 7,365,000	Facility improvements, street projects, land acquistion and police softw are
$5,940,000 Series 2016B Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $100,000 to $465,000 through August 1, 2041 and interest at 3% to 4%.	5,940,000	Infrastructure improvements, street projects
$1,565,000 Taxable Series 2016C Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $125,000 to $240,000 through August 1, 2026 and interest at 1.15% to 2.5%.	855,000	Street projects
$52,845,000 Series 2016 Limited Tax & Refunding Bonds, due in annual installments of $770,000 to $3,590,000 through August 1, 2046 and interest at 2% to 5%.	50,550,000	Partial refunding of prior issues 2006, 2007 and 2009; Streets and parks projects
$2,060,000 Series 2017 Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $40,000 to $265,000 through August 1, 2041 and interest at 2% to 5%.	1,920,000	Infrastructure improvements, street projects
$17,355,000 Series 2017 Limited Tax Bonds, due in annual installments of $160,000 to $745,000 through August 1, 2047 and interest at 2% to 5%.	16,735,000	Streets and Parks projects
$6,775,000 Series 2017 Limited Tax Refunding Bonds, due in annual installments of $115,000 to $660,000 through August 1, 2035 and interest at 2% to 5%.	6,270,000	Partial refunding of prior issue 2009A
$2,010,000 Series 2017 Limited Tax Refunding Bonds, due in annual installments of $75,000 to $160,000 through August 1, 2035 and interest at 2% to 5%.	1,750,000	Partial refunding of prior issue 2009A
$5,050,000 Series 2019 Limited Tax Bonds, due in annual installments of $100,000 to $290,000 through August 1, 2049 and interest at 3% to 5%.	5,050,000	Streets projects
$6,941,200 Series 2019 Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $116,550 to $403,300 through August 1, 2049 and interest at 3% to 5%.	6,941,200	Streets projects
Total general obligation debt	$ 151,682,293	

The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (Debt Service Fund.) The ordinances require the City to ascertain a rate of ad valorem tax which will be sufficient to pay the principal and interest as they become due.

F. Utility Debt

A summary of utility debt outstanding at September 30, 2020, follows:

		Purpose
$5,680,800 Series 2010 Limited Tax Refunding Bonds, due in annual installments of $21,600 to $401,400 through August 1, 2032 and interest at 2% to 4%.	$ 4,064,400	Partial refunding of prior issues 2001 and 2002
$47,443,000 Series 2012 Limited Tax Refunding Bonds, due in annual installments of $34,917 to $3,860,000 through August 1, 2034 and interest at 2% to 5%.	38,819,652	Partial refunding of prior issues 1999, 2002, 2003, 2004
$10,267,205 Series 2015 Limited Tax & Refunding Bonds, due in annual installments of $43,450 to $3,803,850 through August 1, 2045 and interest at 2.95% to 4.1%.	7,797,655	Partial refunding of prior issues 2004, 2005
$16,736,700 Series 2015 Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $207,700 to $971,500 through August 1, 2045 and interest at 2% to 5%.	15,162,200	Infrastructure improvements
$16,950,000 Series 2017A Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $100,000 to $1,290,000 through August 1, 2047 and interest at 2% to 5%.	15,780,000	Infrastructure improvements
$5,345,000 Series 2017 Limited Tax Refunding Bonds, due in annual installments of $80,000 to $530,000 through August 1, 2035 and interest at 2% to 5%.	4,935,000	Infrastructure improvements
$11,818,800 Series 2019 Combination Tax & Limited Revenue Certificates of Obligation, due in annual installments of $198,450 to $686,700 through August 1, 2049 and interest at 3% to 5%.	11,818,800	Infrastructure improvements
Total utility debt	$ 98,377,707	

The annual requirements to retire all Utility Fund bonds, including interest, at September 30, 2020, follows:

Fiscal Year	Principal	Interest	Total Requirements
2021	$ 3,579,369	$ 4,462,318	$ 8,041,688
2022	3,582,722	4,312,959	7,895,681
2023	3,758,452	4,140,293	7,898,745
2024	3,238,078	3,959,082	7,197,160
2025	4,242,600	3,809,675	8,052,275
2026-2030	24,175,350	16,093,164	40,268,514
2031-2035	30,540,050	9,706,573	40,246,623
2036-2040	9,296,950	4,490,260	13,787,210
2041-2045	11,496,000	2,294,414	13,790,414
2046-2049	4,468,136	366,417	4,834,553
Total	$ 98,377,707	$ 53,635,157	$ 152,012,864

The utility bonds are payable from a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer system, after payment of all operation and maintenance expenses.

Upon an event of default under the City's debt ordinances, any registered owner of the debt is entitled to proceed against the City by mandamus or other proceeding in equity or at law for any relief permitted by law, including specific performance of any covenant or agreement contained in such ordinances or to enjoin any act that is unlawful or in violation of any right of the registered owner.

G. Component Unit Debt

In March 2017, the PCDC closed on a loan with Whitney Bank to refinance the Capital One Bank loan obtained to construct a water and adventure park in the original amount of $23,500,000 and amended to $25,000,000. The loan with Whitney Bank is a fixed-rate, fully taxable bank loan of approximately $24,000,000 at a rate of 4.295% for 15 years, maturing in October 2031, and does not include a balloon maturity. Further, if the PCDC is unable to make payments on the loan when due, the City is no longer obligated to make such payments other than the 0.50% sales tax allocation to the PCDC.

Future maturity requirements for the PCDC note payable, including interest, at September 30, 2020, follows:

Fiscal Year	Principal	Interest	Total Requirements
2021	$ 835,000	$ 946,511	$ 1,781,511
2022	870,000	909,896	1,779,896
2023	905,000	871,777	1,776,777
2024	945,000	832,049	1,777,049
2025	985,000	790,603	1,775,603
2026-2030	11,810,000	2,746,010	14,556,010
2031-2032	6,105,000	264,895	6,369,895
Total	$ 22,455,000	$ 7,361,741	$ 29,816,741

H. Component Unit Commitments

PCDC has entered agreements with the City to contribute towards the City's debt service payments for certain bonds that the City issued. PCDC's future contributions under the agreements are as follows:

Fiscal Year	2013 issue	2014 issue	2017 issue	2020 issue	Total
2021	$ 109,000	$ 309,800	$ 161,550	$ 118,624	$ 698,974
2022	106,000	308,200	162,550	118,722	695,472
2023	103,000	309,200	163,300	118,552	694,052
2024	-	309,800	158,800	149,173	617,773
2025	-	310,000	159,300	189,173	658,473
2026-2030	-	1,234,000	822,500	2,757,648	4,814,148
2031-2035	-	-	821,350	2,401,887	3,223,237
Total	$ 318,000	$ 2,781,000	$ 2,449,350	$ 5,853,779	$ 11,402,129

VII. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City participates as one of 888 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 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.

Employee deposits rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement for vesting	20 years at any age or 5 year at the age 60 and above
Updated Service Credit	100% Repeating, transfers
Annity increases to retirees	70% of CPI Repeating

Employees covered by benefit terms: At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	224
Active employees	331
	657

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% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.47% and 13.60% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were $2,698,001, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuarial firm focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	100.00%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. 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.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Balance at 12/31/2018	$ 67,275,722	$ 52,920,759	$ 14,354,963
Changes for the year:			
Service cost	3,433,765	-	3,433,765
Interest	4,578,648	-	4,578,648
Difference between expected and actual experience	(789,370)	-	(789,370)
Contributions - employer	-	2,686,156	(2,686,156)
Contributions - employee	-	1,410,584	(1,410,584)
Net investment income	-	8,192,501	(8,192,501)
Benefit payments, including refunds of employee contributions	(2,321,569)	(2,321,569)	-
Administrative expense	-	(46,229)	46,229
Other changes	407,721	(1,389)	409,110
Net changes	5,309,195	9,920,054	(4,610,859)
Balance at 12/31/2019	$ 72,584,917	$ 62,840,813	$ 9,744,104

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 6.75% 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 22,330,870	$ 9,744,104	$(282,104)

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.tmrs.com.

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

For the year ended September 30, 2020, the City recognized pension expense of $3,157,601. Of this, the amounts attributed to governmental activities and business-type activities were $2,643,463 and $514,138, respectively.

At September 30, 2020, 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
Differences between expected and actual economic experience	$ 437,460	$ 676,156
Changes in actual assumptions	340,221	-
Differences between projected and actual investment earnings	-	1,899,561
Contributions subsequent to the measurement date	2,048,666	-
	$ 2,826,347	$ 2,575,717

$2,048,666 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		
2021	$(	439,110)
2022	(	472,070)
2023		101,708
2024	(	970,390)
2025	(	18,174)
	$(	1,798,036)

VIII. POSTEMPLOYMENT HEALTH CARE BENEFITS – RETIREE HEALTH PLAN

A. Plan Description

The City provides certain health care benefits through a single-employer defined benefit OPEB plan. Regular, full-time employees are eligible to participate in the City's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 20 years of service or at age 60 with 5 years of service. Spouses and dependents of retirees are also eligible when the retiree is covered. As of the date of the latest actuarial valuation, the City has 340 active employees and 25 retirees eligible to participate in the plan.

When a regular, full-time employee retires, they are eligible to continue to participate in the City's group health insurance plan. Members who terminate employment prior to retirement are not eligible for retiree health care benefits. Retirees who decide to opt-out of the health care plan are not eligible to opt back in when coverage from another entity ceases. Retirees are eligible for health care until they become Medicare eligible. The retiree pays full Medicare premiums.

The City offers life insurance coverage for retirees at a $10,000 limit at the retiree's expense. The retiree pays 100% of the premium. Life insurance coverage continues when the retiree becomes eligible for Medicare coverage.

B. Actuarial Assumptions

Actuarial cost method	Individual Entry-Age
Discount rate	2.75% as of December 31, 2019
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	It was assumed that 20% of eligible retirees would choose to receive health care benefits through the City. With the exception of employees who become disabled, no retirees were assumed to maintain their health coverage if they were younger than 50 years old at retirement. Additionally, 50% of retirees were assumed to purchase the $10,000 life insurance coverage at retirement, regardless of their age at retirement.

C. Discount Rate Sensitivity Analysis

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 2.75%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 1,924,096	$ 1,673,547	$ 1,462,337

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1 % Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 1,482,684	$ 1,673,547	$ 1,904,457

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2020, the City reported a liability of $1,673,547 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of $149,473. Of this, the amounts attributed to governmental activities and business-type activities were $125,135 and $24,338, respectively. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

E. Changes in the Total OPEB Liability

Service cost	$ 78,706
Interest on the total OPEB liability	52,162
Differences betw een expected and actual experience of the total OPEB liability	(8,699)
Changes of assumptions	195,306
Benefit payments	(21,125)
Net Changes in total OPEB liability	296,350
Total OPEB Liability - beginning	1,377,197
Total OPEB Liability - ending	$ 1,673,547

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences betw een expected and actual economic experience	$ 14,971	$ 99,604
Changes in actuarial assumptions	230,212	13,975
Contributions subsequent to the measurement date	22,249	-
Totals	$ 267,432	$ 113,579

$22,249 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2021	$	18,605
2022		18,605
2023		18,605
2024		18,605
2025		18,605
Thereafter		38,579

IX. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other postemployment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	90
Inactive employees entitled to but not yet receiving benefits	89
Active employees	331
Total	510

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.14% for 2020 and 0.14% for 2019, of which 0.02% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2020 and 2019 were $28,128 and $28,432, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2019
Inflation rate	2.50% per annum
Discount rate	2.75%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 2.75% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 1,040,311	$ 821,852	$ 660,213

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2020, the City reported a liability of $821,852 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of $83,619. Of this, the amounts attributed to governmental activities and business-type activities were $70,004 and $13,615, respectively. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at 12/31/2018	$	599,269
Changes for the year:		
Service cost		36,272
Interest		22,831
Difference betw een expected and actual experience		3,304
Changes of assumptions		164,206
Benefit payments		(4,030)
Net changes		222,583
Balance at 12/31/2019	$	821,852

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

		Deferred Outflow s of Resources		Deferred Inflow s of Resources
Changes in actuarial assumptions	$	2,800	$	7,268
Difference betw een expected and actual experience		169,910		36,707
Contributions subsequent to the measurement date		1,623		-
Totals	$	174,333	$	43,975

$1,623 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2021	$	24,515
2022		24,515
2023		24,515
2024		21,005
2025		19,882
Thereafter		14,303

X. AGGREGATE AMOUNTS FOR ALL OPEB PLANS

The following table represents the aggregate OPEB amounts for all OPEB plans for the year:

Aggregate OPEB Amounts - All Plans		
OPEB liabilities	$	2,495,399
Deferred outflows of resources related to OPEB		441,765
Deferred inflows of resources related to OPEB		157,554
OPEB expense		233,092

XI. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the City. The Pool's liability is limited to the coverage that the City elects as stated in the Pool's Declarations of Coverage for that fund year. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

XII. COMMITMENTS AND CONTINGENCIES

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Estimated costs to complete significant construction projects in progress at year-end totaled approximately $3,606,000 for the governmental funds and $25,624,000 for the proprietary fund.

The City currently has lease agreements for building space with the following:

Travis County Emergency Services District No. 2 for the period of October 1, 2016 through September 30, 2021. Rent expense for the year ended September 30, 2020 was $140,221.

Vista West Properties for the period of October 1, 2018 through September 30, 2022. Rent expense for the year ended September 30, 2020 was $42,030.

DJR Investments LLC for the period October 1, 2019 through September 30, 2024. Rent expense for the year ended September 30, 2020 was $65,850.

Future payments due under these agreements are as follows:

Fiscal Year		
2021	$	258,667
2022		110,760
2023		65,850
2024		65,850
	$	501,127

XIII. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, requires local governments to disclose information about tax abatement agreements. Tax abatements result from agreements entered by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government's tax revenues.

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. These programs rebate property, sales and hotel occupancy taxes and include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) of the Texas Tax Code. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations, or bringing targeted business to the City. Agreements generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has two categories of economic development agreements:

General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements rebate a percentage of property, sales or hotel occupancy taxes received by the City or make lump sum payments for infrastructure reimbursements. For fiscal year 2020, the City rebated $1,504,059 in taxes.

Tax Increment Reinvestment Zone – In 2010, the City created the Pflugerville Tax Increment Reinvestment Zone (TIRZ) No. 1 under Chapter 311 of the Texas Tax Code to stimulate economic development in designated areas. In November 2018, the zone was expanded. Any ad valorem property value created within the TIRZ #1 above the base value of $9,858,165 is dedicated to the TIRZ to pay for projects included in the adopted Project Plan and debt service on such projects. For fiscal year 2020, Pflugerville TIRZ #1 received $1,593,162 of property tax increment.

XIV. INVESTMENT IN DIRECT FINANCING LEASE

The PCDC has entered a direct financing lease with Typhoon Texas (Typhoon) for land and improvements for a water park. See Note VI for information on the related debt. The lease term is 26 years, with two 10-year renewal options. The components of the net investment in direct financing lease are summarized as follows:

Total minimum lease payments to be received	$	22,395,476
Interest earnings	(	545,476)
Net investment in direct financing lease	$	21,850,000

The scheduled financing lease payments are as follows:

Fiscal Year		
2021	$	1,150,000
2022		1,298,218
2023		1,246,704
2024		1,246,704
2025		1,246,704
2026-2030		6,233,518
2031-2035		6,233,518
2036-2038		3,740,110
Less: Interest	(	545,476)
	$	21,850,000

XV. UPCOMING ACCOUNTING PRONOUNCEMENTS

Significant new accounting standards not yet implemented by the City include the following:

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement will become effective in fiscal year 2021.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective in fiscal year 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this statement are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement will become effective in fiscal year 2022.

Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61 – The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will become effective in fiscal year 2021.

Statement No. 91, *Conduit Debt Obligations* – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023.
Statement No. 92, *Omnibus 2020* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented by the City in fiscal year 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 will be implemented by the City in fiscal year 2022.

Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB 94 will be implemented by the City in fiscal year 2023.

Statement No. 96, *Subscription-Based Technology Arrangements* – this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be implemented by the City in fiscal year 2023.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 will be implemented by the City in fiscal year 2022.

The City has not yet determined the impact of implementation of the new standards.

XVI. SUBSEQUENT EVENTS

The City issued Combination Tax and Limited Revenue Certificates of Obligation, Series 2020 after the fiscal year ending September 30, 2020 for $45,970,000. Proceeds from the sale of the Certificates will be used for constructing, improving, extending, expanding, upgrading and/or developing City streets, intersections, drainage, sidewalk and other traffic improvement projects and related costs and purchasing any necessary right of way therefor, including for Kelly Lane, and Old Austin-Hutto Road. Proceeds will also be used for constructing, improving, and extending the City's waterworks and sewer system.

The City issued Limited Tax Bonds, Series 2020A after the fiscal year ending September 30, 2020, for $15,265,000. Proceeds from the sale of the 2020A Bonds will be used for constructing, improving, extending, expanding, upgrading and/or developing Colorado Sand Drive, Kelly Lane, Old Austin-Hutto Road, and East Pflugerville Parkway, including utility relocation, sidewalks, traffic safety and operational improvements, the purchase of any necessary rights-of-way, design costs and related drainage and other related costs.

The City issued Limited Tax Refunding Bonds, Series 2020B after the fiscal year ending September 30, 2020, for $13,745,000. Proceeds from the sale of the 2020B Bonds will be used to refund a portion of the City's currently outstanding obligations.

The City issued Limited Tax Refunding Bonds, Taxable Series 2020C after the fiscal year ending September 30, 2020, for $38,900,000. Proceeds from the sale of the 2020C Bonds will be used to refund a portion of the City's currently outstanding obligations.

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

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[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*]

CITY OF PFLUGERVILLE, TEXAS
LIMITED TAX BONDS, SERIES 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF $______________

AS BOND COUNSEL FOR THE CITY OF PFLUGERVILLE, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on August 24, 2021, authorizing the issuance of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; that the Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Bonds have been levied and pledged for such purpose, within the limits prescribed by law, on taxable property within the City, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the AService@); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

RBC Capital Markets®