

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017





CITY OF PFLUGERVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

September 30, 2017

Prepared by

Finance Department



City of Pflugerville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2017

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**City of Pflugerville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2017**

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INTRODUCTORY SECTION





March 30, 2018

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, 2017, including the independent auditors' 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, 2017.

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.

Eide Bailly, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Pflugerville's financial statements for the year ended September 30, 2017. 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 government

The City of Pflugerville, Texas, incorporated in 1965, is located 15.6 miles northeast of downtown Austin, the State Capital of Texas and the 11th most populous U.S. city. 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. Estimates by the City's Planning Department indicate a 30% population increase since the 2010 census, to 61,200 residents in 2017. This growth is expected to continue, although the pace may be slowing slightly.

Profile of the government (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). During the November 2016 elections, the citizens voted to amend the City's Charter to expand the membership of the Council to the mayor and six other members. However, during the period of this report, new position remained vacant and the Council consisted of the mayor and five other members. All positions are elected on a non-partisan, at-large basis. The Mayor serves a three-year term. Council members also serve three-year terms, with two members elected each year. The Council appoints the City Manager, who in turn appoints the managers of the various departments.

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.

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. In July 2017, the City's first conference center opened in the City's second hotel, Courtyard by Marriott. Further, construction is underway on the first hospital in the City. A 100,000 square foot, three-story multispecialty facility by Baylor Scott and White is anticipated to open in summer 2018.

Long-term financial planning

At the end of FY 2017, the unassigned fund balance in the general fund was 47.3% of total general fund operating expenditures for the year. This percentage falls within the policy guidelines set by the Council for budgetary and planning purposes (i.e., at least 25% of total general fund expenditures). Through the use of a five-year budget planning cycle, the development of the

Long-term financial planning (continued)

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 plan is anticipated to guide the City's development and growth through the year 2030.

Major initiatives

Utility Infrastructure Projects. Water infrastructure projects continue to focus on increasing system redundancy and expanding the system to support new development. In December 2016, construction began on an elevated water storage tank which, at 1.5 million gallons, will be the City's largest elevated water storage facility. Two interceptors are under construction to increase the City's wastewater collection capacity in the eastern portion of the City's service area, where development is rapidly occurring.

General Fund Projects. Roads and street infrastructure continue to be an important ongoing improvement to the community. During fiscal year 2017, expansion of Heatherwilde Boulevard, East Pecan Street and Helios/Sun Light Near Way were completed. Construction improvements to Weiss Lane and Rowe Lane began and design continues on several other roadway projects that were approved by voters in the November 2014 election. Also in the 2014 election, voters approved funding for numerous Parks projects. Currently, the initial construction of the 1849 Park Sports Complex continues and Stone Hill Park is nearly complete.

Economic development continues to be a major focus of the efforts that are being made by City and Pflugerville Community Development Corporation staff. Economic development efforts include partnering with developers to build commercial projects and encouraging employer relocation to the City. Two large projects are in progress and are expected to open in the summer of 2018. Living Spaces furniture is constructing their first Texas location including a retail store and distribution and fulfillment center along State Highway 45. The Costco Wholesale store under development will be the first wholesale store in 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 (CAFR) for the fiscal year ended September 30, 2016. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR 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 CAFR 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, 2016. In order to apply for the PAFR, the government must first have received the Certificate Achievement for Excellence in Financial Reporting.

The government also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2016. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

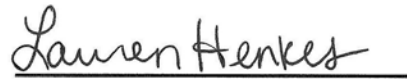
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to its presentation. Additionally, we would like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

We would also like to thank the City Manager, Assistant City Managers, 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,



Amy M. Good, CPA, CGFO
Finance Director



Lauren Henkes, CGFO
Senior Accountant



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

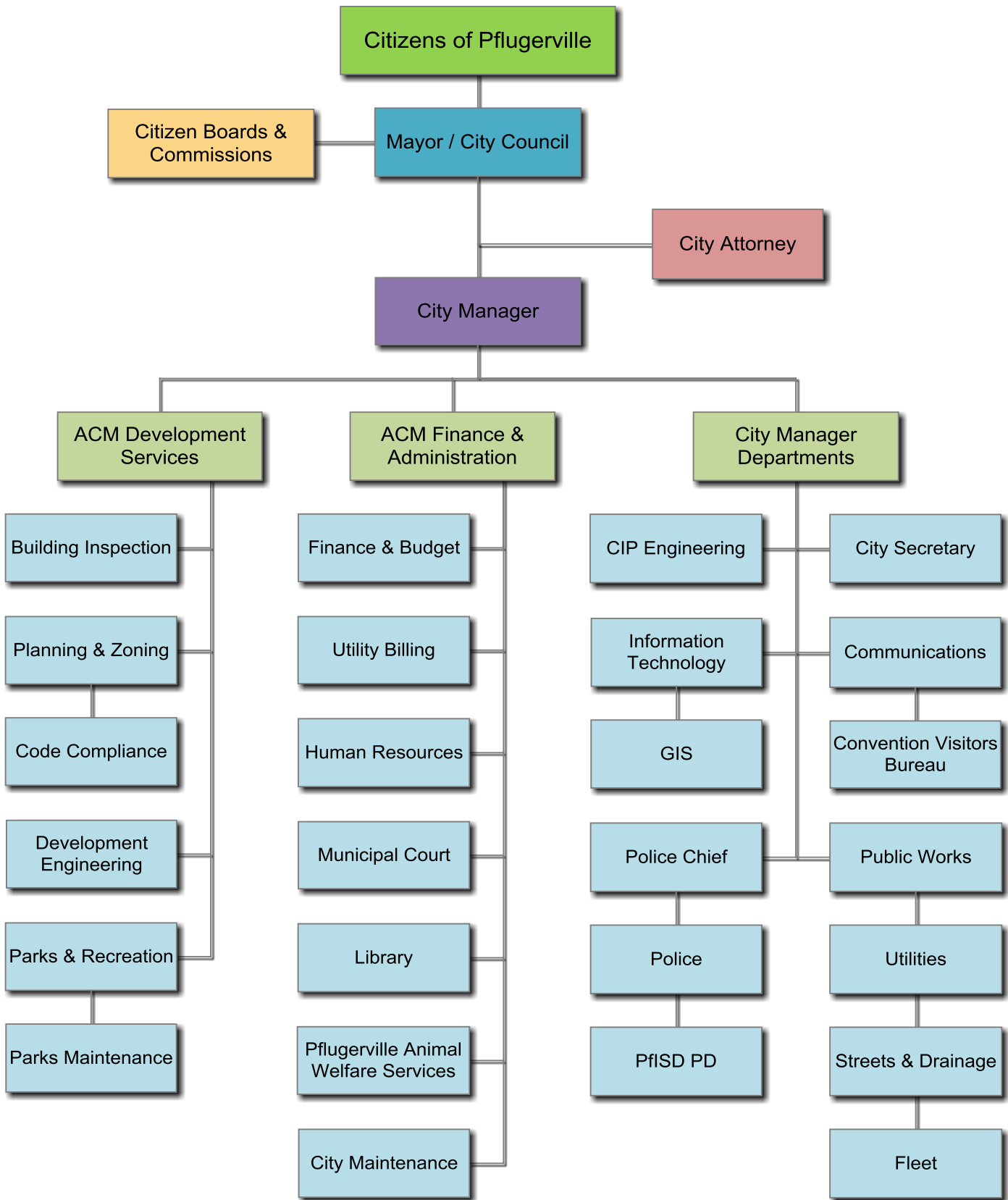
City of Pflugerville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



City of Pflugerville, Texas
List of Elected and Appointed Officials
as of September 30, 2017

Elected Officials

**City Council
Three-Year Terms**

<u>Name</u>	<u>Term Expires</u>
Victor Gonzales, Mayor	November 2019
Doug Weiss, Place 1	November 2019
Jeff Marsh, Place 2	November 2017
Omar Peña, Mayor Pro Tem, Place 3	November 2018
Starlet Sattler, Place 4	November 2017
Mike Heath, Place 5	November 2018
Vacant, Place 6 (to be filled November 2017)	November 2020

City Staff

<u>Position</u>	<u>Name</u>
City Manager	Brandon Wade
Assistant City Manager	Trey Fletcher
Assistant City Manager	Lauri Gillam
Assistant City Manager	Tom Word
Police Chief	Jessica Robledo
City Secretary	Karen Thompson
Public Information Officer	Terri Toledo



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the 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, 2017, 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, 2017, 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.

Restatement of Financial Statements

As discussed in Note 15 to the financial statements, the City recorded a receivable from PCDC in its financial statements for PCDC's obligation to reimburse certain debt service payments. Accordingly, amounts reported for receivables have been restated and an adjustment has been made to net position of governmental activities at October 1, 2016 for the restatement. Our opinions are not modified with respect to that matter.

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 supplemental information on pages 15-24 and 69-70 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 as a whole. The introductory section, statistical section and combining schedules for the general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules for the general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining schedules for the general fund are fairly stated in all material respects in relation to the 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 March 30, 2018, 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 solely 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 the effectiveness of the City's 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.



Abilene, Texas
March 30, 2018

City of Pflugerville, Texas Management's Discussion and Analysis

As management of the City of Pflugerville, Texas, we offer readers of the City of Pflugerville's financial statements this narrative overview and analysis of the financial activities of the City of Pflugerville for the fiscal year ended September 30, 2017. 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 3 - 6 of this report.

Financial Highlights

- ❖ The assets of the City of Pflugerville exceeded its liabilities as of September 30, 2017, by \$255,624,186 (net position). Of this amount, \$37,714,679 (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 of Pflugerville's governmental funds reported combined ending fund balances of \$46,909,464 a decrease of \$20,511,709 in comparison with the prior year. The major factor in the decrease of fund balance is the increase in expenditures for capital projects.
- ❖ At the end of the 2016-2017 fiscal year, unassigned fund balance for the general fund was \$15,939,354 or 51.6% of general fund operating expenditures. The City of Pflugerville Charter requires a fund balance equivalent to 25% of operating expenditures each fiscal year. For fiscal year 2017 that amount was \$7.78 million.
- ❖ The City of Pflugerville's total bonded debt decreased by \$6,270,000 (2.8%) during the current fiscal year. This decrease is a direct result of principal payments made on existing debt. The City did not issue any new debt in fiscal year 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pflugerville's basic financial statements. The City of Pflugerville'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 of the City of Pflugerville's assets and deferred outflows less liabilities and deferred inflows 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 of Pflugerville 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.

Government-wide Financial Statements (continued)

The *statement of activities* presents information showing how the government'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 of the government-wide financial statements distinguish functions of the City of Pflugerville 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 of Pflugerville include general government, public safety, public works and streets, and culture and recreation. The business-type activities of the City of Pflugerville 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 27-29 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Pflugerville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Pflugerville 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 now 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 of Pflugerville 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 of Pflugerville 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. Pages 73-74 include combining schedules for these funds.

The basic governmental fund financial statements can be found on pages 30-33 of this report.

Fund Financial Statements (continued)

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 of Pflugerville 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 35-38 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 41-66.

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 benefits to its employees. Required supplementary information can be found on pages 69-70.

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		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 71,843,874	\$ 75,546,652	\$ 35,998,065	\$ 41,648,870	\$ 107,841,939	\$ 117,195,522
Capital assets	227,494,340	211,226,555	174,993,796	164,094,610	402,488,136	375,321,165
Total assets	299,338,214	286,773,207	210,991,861	205,743,480	510,330,075	492,516,687
Deferred outflow s	7,771,729	8,069,049	4,148,053	4,414,795	11,919,782	12,483,844
Long-term liabilities	158,218,518	161,404,707	88,578,546	91,617,397	246,797,064	253,022,104
Other liabilities	15,369,614	8,103,878	4,428,033	3,182,387	19,797,647	11,286,265
Total liabilities	173,588,132	169,508,585	93,006,579	94,799,784	266,594,711	264,308,369
Deferred inflow s	28,798	32,072	2,162	2,468	30,960	34,540
Net position:						
Net investment in capital assets	108,983,734	110,465,383	93,657,220	87,522,802	202,640,954	197,988,185
Restricted	3,850,809	3,394,968	11,417,744	11,976,050	15,268,553	15,371,018
Unrestricted	20,658,470	11,441,248	17,056,209	15,857,171	37,714,679	27,298,419
Total net position	\$ 133,493,013	\$ 125,301,599	\$ 122,131,173	\$ 115,356,023	\$ 255,624,186	\$ 240,657,622

Statement of Net Position: (continued)

City of Pflugerville - Net Position

- ❖ A portion of the City's net position, \$15,268,553 (6%) represents resources that are subject to external restriction on how they may be used. The unrestricted net position, \$37,714,679, may be used to meet the City's ongoing obligations to citizens and creditors.
- ❖ Current assets and long-term liabilities decreased in the governmental activities. These decreases were primarily due to funding on-going capital project expenditures and not issuing any additional debt. Current assets and long-term liabilities decreased in the business-type activities reflecting the use of fund balance and impact fees for capital improvements as well as debt payments made on bonds.
- ❖ Net position in the business-type activities increased due to the growth in utility service revenues and capital contributions received from developers. Net position in the governmental activities increased due to recognition of a long-term receivable from the City's component unit.
- ❖ At the end of the current fiscal year, the City of Pflugerville is able to report positive balances in all categories of net position, both for the government 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, 2017.

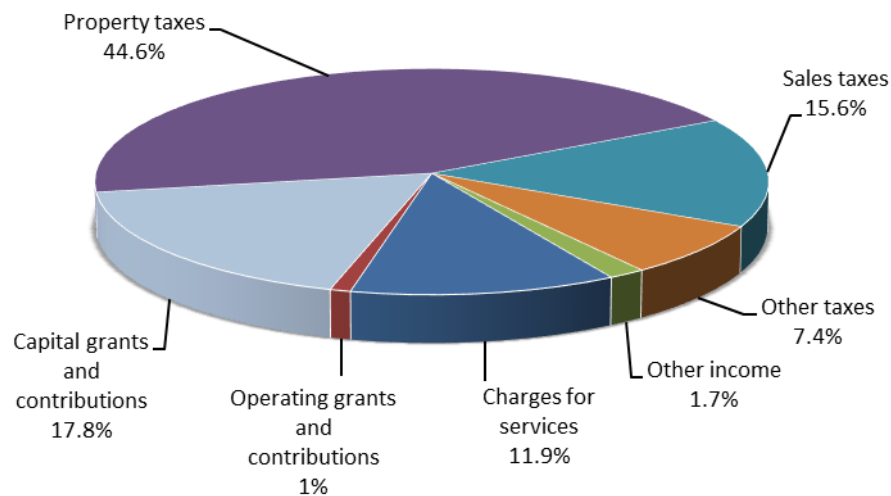
City of Pflugerville - Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 6,347,000	\$ 6,016,180	\$ 26,442,468	\$ 25,429,477	\$ 32,789,468	\$ 31,445,657
Operating grants and contributions	493,388	376,172	-	-	493,388	376,172
Capital grants and contributions	9,466,323	5,948,766	7,405,246	9,112,963	16,871,569	15,061,729
General revenues:						
Property taxes	23,695,020	21,024,450	-	-	23,695,020	21,024,450
Other taxes	12,277,331	11,217,605	-	-	12,277,331	11,217,605
Other	880,292	1,288,902	388,418	267,852	1,268,710	1,556,754
Total revenues	53,159,354	45,872,075	34,236,132	34,810,292	87,395,486	80,682,367
Expenses:						
General government	10,444,202	7,428,360	-	-	10,444,202	7,428,360
Public safety	17,271,272	15,011,803	-	-	17,271,272	15,011,803
Public works and streets	18,470,555	22,546,288	-	-	18,470,555	22,546,288
Culture and recreation	5,311,986	4,932,628	-	-	5,311,986	4,932,628
Interest on long-term debt	5,379,174	4,702,063	-	-	5,379,174	4,702,063
Water and wastewater	-	-	21,981,101	21,439,547	21,981,101	21,439,547
Solid waste	-	-	4,635,632	4,359,949	4,635,632	4,359,949
Total Expenses	56,877,189	54,621,142	26,616,733	25,799,496	83,493,922	80,420,638
Change in net position before transfers	(3,717,835)	(8,749,067)	7,619,399	9,010,796	3,901,564	261,729
Transfers	844,249	857,312	(844,249)	(857,312)	-	-
Change in net position	(2,873,586)	(7,891,755)	6,775,150	8,153,484	3,901,564	261,729
Net position - October 1, 2016	125,301,599	133,193,354	115,356,023	107,202,539	240,657,622	240,395,893
Prior period adjustment	11,065,000	-	-	-	11,065,000	-
Net position - September 30, 2017	\$ 133,493,013	\$ 125,301,599	\$ 122,131,173	\$ 115,356,023	\$ 255,624,186	\$ 240,657,622

Revenues

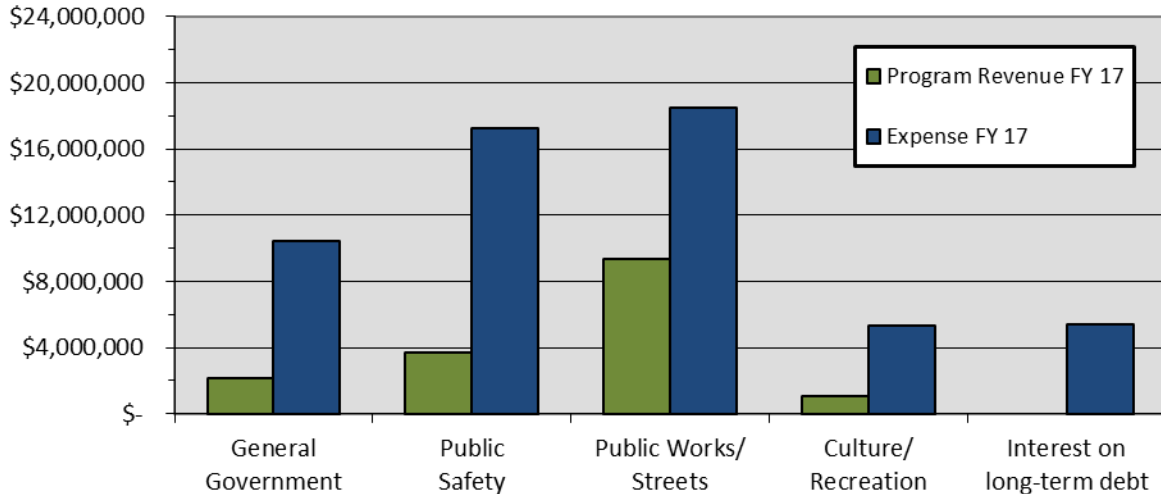
- ❖ Property tax revenue including penalties and interest increased 12.7% (\$2,670,570) during this fiscal year. This is due to an increase in appraised value on new and existing property in the City.
- ❖ Property tax revenue accounts for 44.6% of total revenues for governmental activities.
- ❖ Assessed valuations increased for the fiscal year by over \$530 million.
- ❖ The ad valorem tax rate for fiscal 2017 was \$0.5399 per \$100 of assessed valuation. This was a decrease of \$0.0006 or 0.1% of the prior year rate.
- ❖ Sales tax revenue was \$8.3 million for fiscal year 2017, an increase of 10% over the prior year. Sales tax revenue constitutes 15.6% of the total revenue for governmental activities.
- ❖ Other taxes, which include franchise, mixed beverage and hotel occupancy taxes, totaled nearly \$3.96 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 \$16.3 million. Capital grants and contributions such as infrastructure from developers are the largest components of this revenue category. A portion, \$6.3 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 \$33.8 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 \$7.4 million of revenue during fiscal year 2017.

Revenues by Source – Governmental Activities



Expenses and Program Revenues

Governmental activities. The expenses in the chart below include depreciation expense through all categories. Depreciation expense totaled \$14,996,469. Removing depreciation expense, the operating expenditures for governmental activities increased by 3.4% in fiscal year 2017. Program revenues increased 32% over the prior year. The primary reason for this increase was for contributions from developers and Travis County for capital improvements currently under construction in the City.



Business-type activities. Business-type activities increased the City of Pflugerville's net position by \$6.8 million. This increase in net position was composed primarily of capital contributions (water and wastewater infrastructure donations) from developers. Charges for services for business-type activities increased 4% during fiscal year 2017 for increased water usage and related service revenues offset by a 3% escalation in expenditures due to the cost to produce additional water.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City of Pflugerville'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 of Pflugerville'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 of Pflugerville's governmental funds reported a combined ending fund balance of \$46,909,464, a decrease of \$20.5 million in comparison with the fiscal year beginning fund balance. This decrease is a result of spending down bond proceeds from the previous fiscal year. Approximately 34% of this total amount (\$15.9 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed or assigned 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

Financial Analysis of the City's Funds (continued)

(\$23,859,428); debt service (\$3,044,044); and specific programs in the special revenue fund (\$1,709,844). In addition, funds have been committed, by the City Council, to pay for general capital reserve projects (\$2,210,392), and specific programs in the general fund (\$77,513) and special revenue fund (\$63,611). Funds have been assigned, by management, for special revenue programs (\$5,278).

The general fund is the chief operating fund of the City of Pflugerville. At the end of the current fiscal year, unassigned fund balance in the general fund was \$15,939,354. 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 47.3% of total general fund expenditures. The City Council has approved a general capital reserve to fund one-time purchases and projects. These funds are committed to that purpose and therefore do not appear as unassigned funds. The Combining Schedules for the general and reserve funds provide additional details and can be found on pages 73-74.

The fund balance of the City of Pflugerville's general fund increased by \$487,476 during fiscal year 2017. General fund property tax revenue increased 7.1% from fiscal 2016. This increase is due to an increase in average residential value within the City and growth from new construction. Sales tax revenue increased 10% during fiscal 2017 to \$8.3 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 police services provided to the Pflugerville Independent School District; fees for Public, Educational, and Governmental (PEG) access channels; hotel occupancy tax received; and property tax received from a Tax Increment Reinvestment Zone (TIRZ). The largest portion of both the revenues and expenditures from this fund are related to providing police services to the local school district. However, funds were also spent on equipment for the police department, school crossing guard services, and upgrading PFTV media equipment. A transfer to debt service for payment due on bonds previously issued for the TIRZ is also included.

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, 2017, this fund had a total balance of \$3,044,044. The increase in this fund balance was due to additional interest and property tax revenue in excess of debt obligations.

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. The decrease in fund balance is due to expenditures for construction related to projects such as: Weiss Lane widening, Heatherwilde Boulevard widening and park development including the first phase the sports complex, 1849 Park.

Proprietary funds. The City of Pflugerville'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 \$17,056,209. The total growth in net position was \$6,775,150. This increase in net position was composed primarily of capital contributions (water and wastewater infrastructure donations) from developers, increased revenues and a decrease in liabilities due to payment on outstanding debt.

General Fund Budgetary Highlights

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

General Fund Budgetary Highlights (continued)

The City approved 4 sets of general fund budget amendments during the fiscal year 2017. These amendments increased the overall budgeted expenditures by \$3,191,089 from the original budget, an increase of 10.5%. This increase was offset by various revenues received in excess of the original budget, including: a transfer from fund balance, insurance proceeds, grants, development revenues and transfers from other funds.

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, 2017, amounts to \$402,488,136, net of depreciation. This investment in capital assets includes land, buildings, machinery and equipment, park facilities, streets, water and wastewater facilities, and infrastructure.

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

- ❖ Heatherwilde Boulevard widening project construction was completed.
- ❖ Construction began on the Weiss Lane improvements project.
- ❖ The Parks sports complex project, 1849 Park, construction is underway.
- ❖ Construction was completed on the Sorento/Carmel lift station and force main.
- ❖ The Heatherwilde Elevated Storage Tank construction continues.
- ❖ Designs for a variety of road improvements and water and wastewater system improvements are underway.

City of Pflugerville's Capital Assets

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 13,181,004	\$ 11,879,815	\$ 7,377,716	\$ 7,197,044	\$ 20,558,720	\$ 19,076,859
Service Rights	-	-	250,000	250,000	250,000	250,000
Buildings and improvements	28,615,327	32,017,206	8,407,260	8,870,603	37,022,587	40,887,809
Machinery and equipment	5,248,994	4,755,057	997,606	1,091,206	6,246,600	5,846,263
Infrastructure	161,675,460	151,592,987	143,788,870	137,580,983	305,464,330	289,173,970
Construction in progress	18,773,555	10,981,490	14,172,344	9,104,774	32,945,899	20,086,264
Total	\$ 227,494,340	\$ 211,226,555	\$ 174,993,796	\$ 164,094,610	\$ 402,488,136	\$ 375,321,165

The City's financial policies mandate maintenance and repair of the City's capital assets and infrastructure. The City budgets for on-going 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 of Pflugerville's capital assets can be found in Note 6 to the financial statements.

Long-term Debt. At September 30, 2017, the City had total bonded debt outstanding of \$216,495,000 secured by the full faith and credit of the government. Of this amount, \$44,539,200 represents General Obligation

Capital Asset and Debt Administration (continued)

bonds approved by a vote of the citizens. The remainder represents Certificates of Obligation and limited refunding bonds that support both governmental and business-type (utility) activities.

City of Pflugerville's Outstanding Debt at Year-End

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 44,539,200	\$ 45,266,000	\$ -	\$ -	\$ 44,539,200	\$ 45,266,000
Limited tax refunding bonds	45,561,575	47,155,915	57,924,225	60,208,085	103,485,800	107,364,000
Certificates of obligation	46,603,630	47,815,980	21,866,370	22,319,020	68,470,000	70,135,000
Total	\$ 136,704,405	\$ 140,237,895	\$ 79,790,595	\$ 82,527,105	\$ 216,495,000	\$ 222,765,000

The City of Pflugerville's total debt outstanding decreased by \$6,270,000 (2.8%) during the current fiscal year. This decrease is a direct result of principal payments made on existing debt. The City did not issue any new debt in fiscal year 2017.

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 of Pflugerville's 2017 debt levy equaled \$0.1873 per \$100 assessed valuation, or 12.5% of the maximum allowed.

Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The population of the City of Pflugerville continued a recent pattern of growth. Around the City, commercial and retail centers continue to construct additional phases for future businesses including 685 Retail Center, Picadilly Business Park and Pecan Street Marketplace. In the past year, two significant projects have begun construction in the City. Baylor Scott and White Health broke ground on the City's first hospital in February. The three-story, nearly 100,000 square foot building will feature multidisciplinary care and a multispecialty medical clinic. The facility is expected to open in mid-2018. In July, a groundbreaking was held for Living Spaces, a furniture retail store, distribution center and fulfillment center. This will be the first Living Spaces store in Texas and the Pflugerville location will be the only location in the Central Texas region.

The Pflugerville Community Development Corporation (PCDC) continues to make concerted marketing efforts to attract more commercial development and employers to the city, especially in the areas fronting SH 130 and SH 45. In May 2017, the City's first conference center opened in the City's second hotel, Courtyard Marriott. The hotels have added a revenue source to the City, hotel occupancy taxes, which can be used for tourism and convention related programs. Through economic development agreements, 75% of the hotel occupancy taxes revenue generated by the City's first five hotels is dedicated to the operation of the conference center.

The City's largest commercial centers, Stone Hill Town Center and 130 Commerce Park, continue to expand and include the addition of multi-family complexes. The second phase of the Mansions at Stone Hill apartments completed construction in early fiscal year 2017. Adjacent to the 130 Commerce Park, the Commerce Apartments are under construction and expected to be complete in fiscal year 2018.

The City has increased its water and wastewater capacities to serve the areas in the State Highway 130 growth corridor. FY 2017 will continue to focus on water and wastewater capacities with ongoing projects in design or

Economic Factors and Next Year's Budget and Rates (continued)

construction. Several roadway construction projects are underway and anticipated to be completed in FY 2018 including Weiss Lane and Rowe Lane improvements. The fiscal year adopted 2018 budget includes a \$1.5 million transfer from fund balance for one-time and capital projects. The budgeting process focused on lean government operations.

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

(512) 990-6100
www.pflugervilletx.gov
finance@pflugervilletx.gov

BASIC FINANCIAL STATEMENTS



**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pflugerville Community Development Corporation
ASSETS				
Cash and investments	\$ 29,007,413	\$ 19,154,983	\$ 48,162,396	\$ 4,515,415
Restricted assets:				
Restricted cash and investments	29,430,560	13,846,762	43,277,322	-
Receivables (net of allowance)	3,443,631	3,348,173	6,791,804	759,248
Deposits	-	-	-	900,000
Investment in direct financing lease	-	-	-	22,875,500
Interfund balances	351,853	(351,853)	-	-
Due from component unit	9,610,417	-	9,610,417	-
Capital assets, not being depreciated:				
Land	13,181,004	7,377,716	20,558,720	3,722,742
Service rights	-	250,000	250,000	-
Construction in progress	18,773,555	14,172,344	32,945,899	-
Capital assets, net of depreciation:				
Buildings and improvements	28,615,327	8,407,260	37,022,587	81,224
Machinery and equipment	5,248,994	997,606	6,246,600	106,440
Infrastructure and system	161,675,460	143,788,870	305,464,330	-
Total assets	299,338,214	210,991,861	510,330,075	32,960,569
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	3,567,875	536,535	4,104,410	-
Deferred charge on refunding	4,203,854	3,611,518	7,815,372	-
Total deferred outflows of resources	7,771,729	4,148,053	11,919,782	-
LIABILITIES				
Accounts payable	3,740,385	3,325,005	7,065,390	51,882
Due to primary government	-	-	-	-
Wages payable	355,267	54,734	410,001	-
Customer deposits and escrow payable	10,370,883	450,445	10,821,328	-
Accrued interest payable	903,079	597,849	1,500,928	601,300
Noncurrent liabilities:				
Due within one year	4,943,927	2,840,510	7,784,437	210,000
Due in more than one year	153,274,591	85,738,036	239,012,627	33,354,434
Total liabilities	173,588,132	93,006,579	266,594,711	34,217,616
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	28,798	2,162	30,960	-
NET POSITION				
Net investment in capital assets	108,983,734	93,657,220	202,640,954	3,910,406
Restricted for capital projects	-	11,417,744	11,417,744	-
Restricted for specific programs	1,709,844	-	1,709,844	-
Restricted for debt service	2,140,965	-	2,140,965	-
Restricted for economic development	-	-	-	-
Unrestricted	20,658,470	17,056,209	37,714,679	(5,167,453)
Total net position	\$ 133,493,013	\$ 122,131,173	\$ 255,624,186	\$ (1,257,047)

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 10,444,202	\$ 1,960,095	\$ 219,940	\$ -
Public safety	17,271,272	3,637,550	60,395	-
Public works and streets	18,470,555	-	132,544	9,209,302
Culture and recreation	5,311,986	749,355	80,509	257,021
Interest and fiscal charges	5,379,174	-	-	-
Total governmental activities	<u>56,877,189</u>	<u>6,347,000</u>	<u>493,388</u>	<u>9,466,323</u>
Business-type activities:				
Water and wastewater	21,981,101	21,811,129	-	7,405,246
Solid waste	4,635,632	4,631,339	-	-
Total business-type activities	<u>26,616,733</u>	<u>26,442,468</u>	<u>-</u>	<u>7,405,246</u>
Total primary government	<u>\$ 83,493,922</u>	<u>\$ 32,789,468</u>	<u>\$ 493,388</u>	<u>\$ 16,871,569</u>
Component unit				
Pflugerville Community Development Corporation	<u>\$ 4,109,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Mixed beverage taxes

Hotel taxes

Investment income

Other income

Debt forgiveness

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

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
\$ (8,264,167)	\$ -	\$ (8,264,167)	
(13,573,327)	-	(13,573,327)	
(9,128,709)	-	(9,128,709)	
(4,225,101)	-	(4,225,101)	
(5,379,174)	-	(5,379,174)	
<u>(40,570,478)</u>	<u>-</u>	<u>(40,570,478)</u>	
-	7,235,274	7,235,274	
-	(4,293)	(4,293)	
<u>-</u>	<u>7,230,981</u>	<u>7,230,981</u>	
(40,570,478)	7,230,981	(33,339,497)	
			\$ <u>(4,109,160)</u>
23,695,020	-	23,695,020	-
8,318,945	-	8,318,945	4,153,291
3,727,855	-	3,727,855	-
80,634	-	80,634	-
149,897	-	149,897	-
562,362	333,809	896,171	-
271,179	51,448	322,627	217,799
-	-	-	1,500,566
46,751	3,161	49,912	2,396,521
<u>844,249</u>	<u>(844,249)</u>	<u>-</u>	<u>-</u>
<u>37,696,892</u>	<u>(455,831)</u>	<u>37,241,061</u>	<u>8,268,177</u>
(2,873,586)	6,775,150	3,901,564	4,159,017
125,301,599	115,356,023	240,657,622	5,648,936
11,065,000	-	11,065,000	(11,065,000)
<u>\$ 133,493,013</u>	<u>\$ 122,131,173</u>	<u>\$ 255,624,186</u>	<u>\$ (1,257,047)</u>

**CITY OF PFLUGERVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental
ASSETS					
Cash and investments	\$ 16,739,246	\$ 1,796,926	\$ -	\$ 10,471,241	\$ 29,007,413
Taxes receivable	2,000,669	-	119,532	-	2,120,201
Other receivables	972,078	334,800	-	16,552	1,323,430
Due from other funds	717,970	2,451	3,831	9,683	733,935
Due from component unit	9,610,417	-	-	-	9,610,417
Restricted investments	-	-	3,040,213	26,390,347	29,430,560
Total assets	\$ 30,040,380	\$ 2,134,177	\$ 3,163,576	\$ 36,887,823	\$ 72,225,956
LIABILITIES					
Accounts payable	\$ 1,128,515	\$ 259,345	\$ -	\$ 2,352,525	\$ 3,740,385
Wages payable	320,298	34,969	-	-	355,267
Due to other funds	15,965	61,130	-	304,987	382,082
Escrow payable	-	-	-	10,370,883	10,370,883
Total liabilities	1,464,778	355,444	-	13,028,395	14,848,617
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes and fines, long-term receivable	10,348,343	-	119,532	-	10,467,875
Total deferred inflows of resources	10,348,343	-	119,532	-	10,467,875
FUND BALANCES					
Restricted for:					
Debt service	-	-	3,044,044	-	3,044,044
Capital projects	-	-	-	23,859,428	23,859,428
Specific programs	-	1,709,844	-	-	1,709,844
Committed for:					
General capital reserve	2,210,392	-	-	-	2,210,392
Specific programs	77,513	63,611	-	-	141,124
Assigned for:					
Specific programs	-	5,278	-	-	5,278
Unassigned	15,939,354	-	-	-	15,939,354
Total fund balances	18,227,259	1,778,733	3,044,044	23,859,428	46,909,464
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,040,380	\$ 2,134,177	\$ 3,163,576	\$ 36,887,823	\$ 72,225,956

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, 2017**

Fund balances of governmental funds	\$	46,909,464
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.		227,494,340
Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.		(136,704,405)
The net OPEB obligation will not be liquidated with current financial resources and therefore has not been included in the fund financial statements.		(640,600)
Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.		(661,977)
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.		(903,079)
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.		(9,869,483)
Deferred charge on bond refunding is recognized in the fund financial statements when bonds are issued but is capitalized and amortized in the government wide financial statements over the life of the bonds.		4,203,854
Included in long-term liabilities is the recognition of the City's net pension liability in the amount of \$10,342,053, a deferred outflow of resources of \$3,567,875 and a deferred inflow of resources of \$28,798. This results in a decrease in net position.		(6,802,976)
Receivables from property taxes (\$362,881), fines (\$540,560) and long-term receivable from component unit (\$9,564,434) are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		10,467,875
Net position of governmental activities	\$	133,493,013

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, 2017

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental
REVENUES					
Taxes:					
Property	\$ 14,584,682	\$ 933,805	\$ 8,242,443	\$ -	\$ 23,760,930
Sales	8,318,945	-	-	-	8,318,945
Franchise	3,622,478	105,377	-	-	3,727,855
Mixed beverage	80,634	-	-	-	80,634
Hotel taxes	-	149,897	-	-	149,897
Licenses and permits	1,976,278	60,926	-	-	2,037,204
Intergovernmental	736,323	2,321,603	784,389	3,904,337	7,746,652
Fines and forfeitures	922,511	97,802	-	-	1,020,313
Investment income	173,535	11,097	43,620	334,110	562,362
Charges for services	565,215	-	-	-	565,215
Deutschen Pfest income	-	75,133	-	-	75,133
Other income	481,604	9,610	-	-	491,214
Total revenues	<u>31,462,205</u>	<u>3,765,250</u>	<u>9,070,452</u>	<u>4,238,447</u>	<u>48,536,354</u>
EXPENDITURES					
Current:					
General government	8,675,748	354,167	-	-	9,029,915
Public safety	12,965,559	2,434,027	-	-	15,399,586
Public works and streets	5,314,209	-	-	-	5,314,209
Culture and recreation	4,058,734	127,320	-	-	4,186,054
Debt service:					
Agent fees/issuance costs	-	-	6,287	-	6,287
Interest	-	-	5,641,988	-	5,641,988
Principal retirement	-	-	3,533,490	-	3,533,490
Capital outlay	2,707,823	35,230	-	24,200,981	26,944,034
Total expenditures	<u>33,722,073</u>	<u>2,950,744</u>	<u>9,181,765</u>	<u>24,200,981</u>	<u>70,055,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(2,259,868)	814,506	(111,313)	(19,962,534)	(21,519,209)
OTHER FINANCING SOURCES (USES)					
Transfers out	(35,000)	(448,927)	-	(1,584,903)	(2,068,830)
Transfers in	2,621,230	-	256,849	35,000	2,913,079
Proceeds from sale of capital assets	46,751	-	-	-	46,751
Insurance recoveries	114,363	2,137	-	-	116,500
Total other financing sources and uses	<u>2,747,344</u>	<u>(446,790)</u>	<u>256,849</u>	<u>(1,549,903)</u>	<u>1,007,500</u>
NET CHANGE IN FUND BALANCES	487,476	367,716	145,536	(21,512,437)	(20,511,709)
FUND BALANCES, BEGINNING	<u>17,739,783</u>	<u>1,411,017</u>	<u>2,898,508</u>	<u>45,371,865</u>	<u>67,421,173</u>
FUND BALANCES, ENDING	<u>\$ 18,227,259</u>	<u>\$ 1,778,733</u>	<u>\$ 3,044,044</u>	<u>\$ 23,859,428</u>	<u>\$ 46,909,464</u>

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, 2017**

Net change in fund balances - total governmental funds \$ (20,511,709)

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. 26,032,883

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 removing the loss on capital asset disposals is to decrease net position. (73,594)

The City received street infrastructure contributed by developers. These contributions increase net position. 5,304,965

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. (14,996,469)

Long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. 3,533,490

Increases to liabilities for compensated absences are not shown in the fund financial statements. The net effect of the current year's increase is to decrease net position. (43,664)

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. 39,588

Increases to liabilities for OPEB are not shown in the fund financial statements. The net effect of the current year's increase is to decrease net position. (70,468)

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. 420,239

Deferred amount on bond refunding is capitalized in the government-wide financial statements and amortized over the life of the debt. Amortization of deferred amount on bond refunding of \$190,726 was recorded. The net effect is to decrease net position. (190,726)

Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of revenues. Contributions made after the measurement date caused the change in net position to increase in the amount of \$1,731,468. 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. These cause the change in net position to decrease in the amount of \$2,488,196. The net effect is a decrease in net position. (756,728)

Revenues from property taxes, fines and long-term receivable from component unit 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. This includes \$1,500,566 decrease in the long-term receivable from component unit for debt forgiveness. (1,561,393)

Change in net position of governmental activities \$ (2,873,586)

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, 2017

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 14,560,557	\$ 14,568,707	\$ 14,584,682	\$ 15,975
Sales	7,910,000	7,910,000	8,318,945	408,945
Franchise	3,200,000	3,200,000	3,622,478	422,478
Mixed beverage	86,000	86,000	80,634	(5,366)
Licenses and permits	1,335,577	1,560,877	1,976,278	415,401
Intergovernmental/grants	559,683	706,663	736,323	29,660
Fines and forfeitures	1,042,320	1,042,320	922,511	(119,809)
Interest income	25,000	60,452	173,535	113,083
Charges for services	529,500	554,502	565,215	10,713
Other income	112,500	264,921	481,604	216,683
Total revenues	29,361,137	29,954,442	31,462,205	1,507,763
EXPENDITURES				
Current:				
General government	7,622,330	8,914,531	8,675,748	238,783
Public safety	13,093,158	13,559,694	12,907,210	652,484
Public works and streets	5,306,642	6,229,081	5,245,778	983,303
Culture and recreation	4,143,562	4,329,790	4,058,734	271,056
Capital outlay	331,744	655,429	610,532	44,897
Total expenditures	30,497,436	33,688,525	31,498,002	2,190,523
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,136,299)	(3,734,083)	(35,797)	3,698,286
OTHER FINANCING SOURCES (USES)				
Transfers out to reserve funds	-	-	(600,000)	(600,000)
Transfers in	1,135,916	2,628,297	2,621,230	(7,067)
Fund balance transfer	-	1,035,000	1,035,000	-
Proceeds from sale of capital assets	5,000	5,000	46,751	41,751
Insurance recoveries	-	70,403	114,363	43,960
Total other financing sources and uses	1,140,916	3,738,700	3,217,344	(521,356)
NET CHANGE IN FUND BALANCES	4,617	4,617	3,181,547	3,176,930
FUND BALANCE, BEGINNING	13,792,807	13,792,807	13,792,807	-
FUND BALANCE, ENDING, Budgetary Basis	\$ 13,797,424	\$ 13,797,424	16,974,354	\$ 3,176,930
Reconciliation to GAAP basis:				
Remove fund balance transfer			(1,035,000)	
Fund Balance, Ending - GAAP basis			\$ 15,939,354	

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Enterprise
	Fund
	<u>Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ 19,154,983
Restricted cash and investments	470,045
Accounts receivable, net	3,348,173
Total current assets	<u>22,973,201</u>
Non-current assets:	
Restricted cash and investments:	
Bond accounts	1,958,973
Impact fees	11,417,744
Capital assets:	
Land	7,377,716
Service rights	250,000
Buildings and improvements	13,910,287
Equipment	4,457,424
Infrastructure and system	195,529,485
Construction in progress	14,172,344
Less accumulated depreciation	<u>(60,703,460)</u>
Total capital assets, net of accumulated depreciation	<u>174,993,796</u>
Total non-current assets	<u>188,370,513</u>
Total assets	211,343,714
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,611,518
Deferred charge - pension	536,535
Total deferred outflows of resources	<u>4,148,053</u>
LIABILITIES	
Current liabilities:	
Accounts payable	3,325,005
Wages payable	54,734
Due to other funds	351,853
Compensated absences payable	12,042
Customer deposits	450,445
Accrued interest payable	597,849
Bonds payable - current	2,828,468
Total current liabilities	<u>7,620,396</u>
Non-current liabilities:	
Bonds payable	84,078,599
Compensated absences payable	48,169
Net pension liability	1,489,249
Net OPEB obligation	122,019
Total non-current liabilities	<u>85,738,036</u>
Total liabilities	93,358,432
DEFERRED INFLOWS OF RESOURCES	
Deferred charge - pension	2,162
Total deferred outflows of resources	<u>2,162</u>
NET POSITION	
Net investment in capital assets	93,657,220
Restricted for capital projects	11,417,744
Unrestricted	17,056,209
Total net position	<u>\$ 122,131,173</u>

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Fund Utility
OPERATING REVENUES	
Charges for sales and services:	
Water sales	\$ 14,729,015
Wastewater sales	7,082,114
Solid waste sales	4,631,339
Other income	51,448
Total operating revenues	26,493,916
OPERATING EXPENSES	
Utility administration	4,524,508
Water operations	7,043,797
Wastewater operations	2,236,937
Solid waste operations	4,635,632
Depreciation and amortization	4,640,314
Total operating expenses	23,081,188
OPERATING INCOME	3,412,728
NONOPERATING REVENUES (EXPENSES)	
Investment income	333,809
Interest expense and fees	(3,535,545)
Gain (loss) on sale of capital assets	3,161
Total nonoperating revenues (expenses)	(3,198,575)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	214,153
Capital contributions	7,405,246
Transfers out	(844,249)
CHANGE IN NET POSITION	6,775,150
NET POSITION, BEGINNING	115,356,023
NET POSITION, ENDING	\$ 122,131,173

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Fund <u>Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 26,486,670
Payments to or on behalf of employees	(3,294,019)
Payments to suppliers	<u>(13,800,249)</u>
Net cash provided by operating activities	9,392,402
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to other funds	<u>(819,175)</u>
Net cash used by noncapital financing activities	(819,175)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	4,835,690
Acquisition of capital assets	(12,973,931)
Principal paid on bonds	(2,736,510)
Interest paid on bonds	(3,668,665)
Proceeds from sale of capital assets	<u>7,148</u>
Net cash used by capital and related financing activities	(14,536,268)
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in short-term investments	5,131,211
Interest received	<u>333,809</u>
Net cash provided by investing activities	5,465,020
NET CHANGE IN CASH AND CASH EQUIVALENTS	(498,021)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,059,515</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 561,494</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 561,494
Investments	32,440,251
Total cash and investments	<u>\$ 33,001,745</u>
REPORTED AS:	
Cash and investments	\$ 19,154,983
Restricted cash and investments	<u>13,846,762</u>
Total cash and investments	<u>\$ 33,001,745</u>

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Enterprise Fund Utility
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 3,412,728
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	4,640,314
(Increase) in accounts receivable	(3,501)
Increase in accounts payable	1,252,816
(Decrease) in customer deposits	(3,745)
Increase in accrued liabilities	93,790
Net cash provided by operating activities:	\$ 9,392,402
 NONCASH INVESTING AND FINANCING ACTIVITIES	
Infrastructure contributed by developers	\$ 2,569,556

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

NOTES TO FINANCIAL STATEMENTS



CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 1: 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 which 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, as set forth in GASB Statement No. 14, "The Financial 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 which are misleading or incomplete. GASB Statement No. 39 requires 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 is entitled to, or has 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 Corporation 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 of Pflugerville. 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 has the ability to impose its will on the Board. Complete financial statements for the PCDC may be obtained at the entity's administrative offices.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 2: 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*.

Note 3: 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, 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 required to be 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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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.

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

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.

Investments

Investments in public funds investment pools are reported at amortized cost.

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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

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 9/30/17, the City does not have any investments that qualify for the fair value reporting requirements.

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.

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.

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 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 for further information.

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 and fines, as well as a long-term receivable from component unit for debt service reimbursement. 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 7 for further information.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

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. Contributed assets are recorded at estimated fair market value on the date received. 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 2017 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:

<u>Assets</u>	<u>Years</u>
Buildings	30
Utility distribution system	20-50
Streets and public domain infrastructure	15-50
Improvements	15
Equipment	10

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.

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 (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

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.

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, as a result of employee resignations and retirements.

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.

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, 2017, was \$0.5399 per \$100 of assessed valuation.

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, 2017, 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.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

Fund Balance

At September 30, 2017, the various fund balance purposes were as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental</u>
Restricted					
Debt service	\$ -	\$ -	\$ 3,044,044	\$ -	\$ 3,044,044
Capital projects	-	-	-	23,859,428	23,859,428
Seizure funds	-	198,412	-	-	198,412
Child safety fees	-	37,704	-	-	37,704
LEOSE training	-	11,941	-	-	11,941
Municipal court	-	170,122	-	-	170,122
Bike rodeo	-	1,555	-	-	1,555
Blue Santa	-	14,473	-	-	14,473
National Night Out	-	4,527	-	-	4,527
PEG	-	152,124	-	-	152,124
HOT	-	36,426	-	-	36,426
TIRZ #1	-	1,082,560	-	-	1,082,560
Committed					
Capital reserve	2,210,392	-	-	-	2,210,392
Vehicle replacement	77,513	-	-	-	77,513
Deutschen Pfest	-	63,611	-	-	63,611
Assigned					
CERT	-	3,477	-	-	3,477
Citiens on Patrol/Citizens' Police Academy	-	1,801	-	-	1,801
Unassigned					
	<u>15,939,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,939,354</u>
Total fund balances	\$ <u>18,227,259</u>	\$ <u>1,778,733</u>	\$ <u>3,044,044</u>	\$ <u>23,859,428</u>	\$ <u>46,909,464</u>

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.

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. In the event that 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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

Utility Fund Balance Policy

The City's goal is to achieve and maintain an unassigned fund balance in the Utility Fund equal to 25% of budgeted operating expenditures. In the event that 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.

Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 General Capital Reserve Fund is a subset of the General Fund, for which formal budgetary integration is not employed. Funded from prior year revenues received in excess of budget, the General Capital Reserve Fund is used to fund one-time and small capital related projects. The City Council reviews proposed projects which are individually approved or declined for funding from this separate fund.

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 at the discretion of the appropriate department manager.

Note 6: DETAILED NOTES ON ALL FUNDS

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, 2017, were entirely covered by FDIC insurance and pledged collateral held by the City's agent bank.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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, 2017:

	<u>Carrying/ Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Petty cash	\$ 2,250	N/A
Deposits with financial institutions	1,604,096	N/A
Lone Star Investment Pool - corporate overnight fund	62,427,358	47
TexPool	<u>27,406,014</u>	37
Total Cash and Investments	<u>\$ 91,439,718</u>	44

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 aforementioned 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 1400, 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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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, 2017, the City's investments in Lone Star and TexPool were both rated AAAM by Standard & Poor's.

Capital Assets

A summary of changes in capital assets follows:

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,879,815	\$ 1,301,189	\$ -	\$ 13,181,004
Construction in progress	10,981,490	23,216,817	15,424,752	18,773,555
Total assets not being depreciated	<u>22,861,305</u>	<u>24,518,006</u>	<u>15,424,752</u>	<u>31,954,559</u>
Capital assets, being depreciated:				
Buildings and improvements	66,065,316	88,882	-	66,154,198
Machinery and equipment	11,968,377	1,514,877	356,820	13,126,434
Infrastructure	320,087,778	20,640,835	-	340,728,613
Total capital assets being depreciated	<u>398,121,471</u>	<u>22,244,594</u>	<u>356,820</u>	<u>420,009,245</u>
Less accumulated depreciation:				
Buildings and improvements	34,048,110	3,490,761	-	37,538,871
Machinery and equipment	7,213,320	947,346	283,226	7,877,440
Infrastructure	168,494,791	10,558,362	-	179,053,153
Total accumulated depreciation	<u>209,756,221</u>	<u>14,996,469</u>	<u>283,226</u>	<u>224,469,464</u>
Total capital assets being depreciated, net	<u>188,365,250</u>	<u>7,248,125</u>	<u>73,594</u>	<u>195,539,781</u>
Governmental activities capital assets, net	<u>\$ 211,226,555</u>	<u>\$ 31,766,131</u>	<u>\$ 15,498,346</u>	<u>\$ 227,494,340</u>

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 7,197,044	\$ 180,672	\$ -	\$ 7,377,716
Service rights	250,000	-	-	250,000
Construction in progress	9,104,774	12,615,341	7,547,771	14,172,344
Total assets not being depreciated	16,551,818	12,796,013	7,547,771	21,800,060
 Capital assets, being depreciated:				
Buildings and improvements	13,910,287	-	-	13,910,287
Machinery and equipment	4,368,241	155,049	65,866	4,457,424
Infrastructure	185,389,289	10,140,196	-	195,529,485
Total capital assets being depreciated	203,667,817	10,295,245	65,866	213,897,196
 Less accumulated depreciation:				
Buildings and improvements	5,039,684	463,343	-	5,503,027
Machinery and equipment	3,277,035	244,662	61,879	3,459,818
Infrastructure	47,808,306	3,932,309	-	51,740,615
Total accumulated depreciation	56,125,025	4,640,314	61,879	60,703,460
 Total capital assets being depreciated, net	147,542,792	5,654,931	3,987	153,193,736
 Business-type activities capital assets, net	\$ 164,094,610	\$ 18,450,944	\$ 7,551,758	\$ 174,993,796
 Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	\$ 6,171,472	\$ -	\$ 2,448,730	\$ 3,722,742
Total assets not being depreciated	6,171,472	-	2,448,730	3,722,742
 Capital assets, being depreciated:				
Leasehold improvements	226,521	-	5,000	221,521
Furniture and equipment	48,719	102,483	21,877	129,325
Total capital assets being depreciated	275,240	102,483	26,877	350,846
 Less accumulated depreciation:				
Leasehold improvements	100,993	44,304	5,000	140,297
Furniture and equipment	37,311	7,451	21,877	22,885
Total accumulated depreciation	138,304	51,755	26,877	163,182
 Total capital assets being depreciated, net	136,936	50,728	-	187,664
 Discretely presented component unit activities capital assets, net	\$ 6,308,408	\$ 50,728	\$ 2,448,730	\$ 3,910,406

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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

Governmental activities:		
General government	\$	292,268
Public safety		751,770
Public works		13,171,415
Culture/recreation		781,016
Total depreciation expense - governmental activities	\$	<u>14,996,469</u>
Business-type activities		
Water and sewer	\$	4,640,314
Total depreciation expense - business-type activities	\$	<u>4,640,314</u>

Interfund Receivables/Payables and Transfers

The composition of interfund receivables/payables and transfers in/out as of September 30, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt service	General	\$ 3,831	Transfer property taxes
General	Special revenue	61,130	Transfer for payables
General	Utility	351,853	Transfer for payables
Capital projects	General	9,683	Transfer for payables
General	Capital projects	304,987	Transfer for payables
Special revenue	General	2,451	Transfer for payables
<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Utility	\$ 844,249	Management fee and contribution to General Fund
Capital projects	General fund	35,000	Contribution to Capital Projects
Debt service	Capital projects	2,639	Contribution to Debt Service
General	Special revenue	194,717	Contribution to General fund
General	Capital projects	1,582,264	Contribution to General fund
Debt service	Special revenue	254,210	TIRZ #1 Contribution to Debt Service

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Long-term Debt

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 140,237,895	\$ -	\$ (3,533,490)	\$ 136,704,405	\$ 4,811,532
Premium on bond issuance	10,452,879	-	(446,828)	10,006,051	-
Discount on bonds	(163,157)	-	26,589	(136,568)	-
Compensated absences	618,313	167,327	(123,663)	661,977	132,395
Net pension liability	9,688,645	653,408	-	10,342,053	-
Net OPEB obligation	570,132	70,468	-	640,600	-
Governmental activities long-term liabilities	<u>\$ 161,404,707</u>	<u>\$ 891,203</u>	<u>\$ (4,077,392)</u>	<u>\$ 158,218,518</u>	<u>\$ 4,943,927</u>
Business-type activities					
Utility bonds	\$ 82,527,105	\$ -	\$ (2,736,510)	\$ 79,790,595	\$ 2,828,468
Premium on bond issuance	7,539,728	-	(380,221)	7,159,507	-
Discount on bonds	(45,448)	-	2,413	(43,035)	-
Compensated absences	59,411	12,682	(11,882)	60,211	12,042
Net pension liability	1,428,004	61,245	-	1,489,249	-
Net OPEB obligation	108,597	13,422	-	122,019	-
Business-type activities long-term liabilities	<u>\$ 91,617,397</u>	<u>\$ 87,349</u>	<u>\$ (3,126,200)</u>	<u>\$ 88,578,546</u>	<u>\$ 2,840,510</u>
Total long-term debt	<u>\$ 253,022,104</u>	<u>\$ 978,552</u>	<u>\$ (7,203,592)</u>	<u>\$ 246,797,064</u>	<u>\$ 7,784,437</u>
Discretely presented component unit					
Notes payable	\$ 27,742,535	\$ 24,000,000	\$ (27,742,535)	\$ 24,000,000	\$ 210,000
Payable to City	11,065,000	-	(1,500,566)	9,564,434	-
	<u>\$ 38,807,535</u>	<u>\$ 24,000,000</u>	<u>\$ (29,243,101)</u>	<u>\$ 33,564,434</u>	<u>\$ 210,000</u>

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 obligation and net pension liability.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

General Obligation Debt

The annual requirements to retire general long-term debt, including interest, as of September 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2018	\$ 4,811,532	\$ 5,431,872	\$ 10,243,404
2019	4,965,051	5,268,847	10,233,898
2020	5,100,749	5,111,568	10,212,317
2021	5,232,481	4,920,955	10,153,436
2022	5,138,928	4,707,581	9,846,509
2023-2027	27,553,920	19,860,351	47,414,271
2028-2032	31,433,150	13,766,322	45,199,472
2033-2037	26,068,100	7,138,191	33,206,291
2038-2042	15,080,350	3,400,537	18,480,887
2043-2046	11,320,144	866,204	12,186,348
Total	<u>\$ 136,704,405</u>	<u>\$ 70,472,428</u>	<u>\$ 207,176,833</u>

A summary of tax-supported general obligation debt outstanding at September 30, 2017, follows:

	Purpose
\$11,500,000 Series 2009 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$220,000 to \$2,655,000 through August 1, 2035; interest at 3% to 5.375%.	\$ 660,000 Streets, construction and drainage
\$3,000,000 Series 2009 Limited Tax Bonds, due in annual installments of \$60,000 to \$700,000 through August 1, 2031; interest at 3% to 5.3%.	180,000 Expansion of Library
\$11,247,600 Series 2009A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$233,850 to \$869,075 through August 1, 2035; interest at 2% to 5%.	9,565,980 Infrastructure improvements
\$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%.	1,760,000 Library expansion
\$4,130,000 Series 2010 Combination Tax and 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%.	3,620,000 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%.	8,809,600 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%.	11,160,780 Partial refunding of prior issues 1999, 2002, 2003, and 2004

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

\$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%.	\$ 1,825,000	Library expansion
\$4,600,000 Series 2013 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$50,000 to \$730,000 through August 1, 2033 and interest at 2% to 4%.	4,250,000	Street projects
\$4,980,000 Series 2014 Combination Tax and 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%.	4,225,000	Infrastructure improvements
\$14,027,795 Series 2015 Limited Tax and 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%.	13,520,395	Partial refunding of prior issues 2004, 2005; Streets and Parks Projects
\$8,413,300 Series 2015 Combination Tax and Limited Revenue Certificates of Obligation, due in annual installments of \$102,300 to \$478,500 through August 1, 2045 and interest at 2% to 5.0%.	8,147,650	Streets and one small parks project
\$8,630,000 Series 2016A Combination Tax and 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%.	8,630,000	Facility improvements, street projects, land acquisition and police software
\$5,940,000 Series 2016B Combination Tax and 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 and 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%.	1,565,000	Street projects
\$52,845,000 Series 2016 Limited Tax and Refunding Bonds, due in annual installments of \$770,000 to \$3,590,000 through August 1, 2046 and interest at 2% to 5%.	52,845,000	Partial refunding of prior issues 2006, 2007 and 2009; Streets and parks projects
Total general obligation debt	\$ <u><u>136,704,405</u></u>	

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.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Utility Debt

A summary of utility debt outstanding at September 30, 2017, follows:

			Purpose
\$6,542,400 Series 2009A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$110,925 to \$545,925, through August 1, 2035; interest at 2% to 5%.	\$	5,669,020	Wastewater infrastructure improvements
\$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%.		4,955,400	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%.		43,824,220	Partial refunding of prior issues 2002, 2003, 2003A and 2004
\$10,267,205 Series 2015 Limited Tax and 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%.		9,144,605	Partial Refunding prior issues 2004 and 2005
\$16,736,700 Series 2015 Combination Tax and 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%.		16,197,350	Water and wastewater infrastructure improvements
Total utility debt	\$	79,790,595	

The annual requirements to retire all Utility Fund bonds, including interest, at September 30, 2017, follows:

Fiscal Year	Principal	Interest	Total Requirements
2018	\$ 2,828,468	\$ 3,587,096	\$ 6,415,564
2019	2,864,949	3,482,979	6,347,928
2020	2,969,251	3,385,732	6,354,983
2021	3,077,519	3,263,557	6,341,076
2022	3,051,072	3,140,457	6,191,529
2023-2027	17,126,080	13,666,551	30,792,631
2028-2032	24,076,850	9,033,021	33,109,871
2033-2037	17,196,900	3,168,464	20,365,364
2038-2042	3,949,650	1,094,713	5,044,363
2043-2045	2,649,856	226,996	2,876,852
Total	\$ 79,790,595	\$ 44,049,566	\$ 123,840,161

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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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, in the event that the Corporation 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 Corporation.

Future maturity requirements for the PCDC note payable, including interest, at September 30, 2017, follows:

Fiscal Year	Principal	Interest	Total Requirements
2018	\$ 210,000	\$ 1,112,190	\$ 1,322,190
2019	535,000	1,010,291	1,545,291
2020	800,000	981,622	1,781,622
2021	835,000	946,511	1,781,511
2022	870,000	909,896	1,779,896
2023-2027	6,395,000	3,912,638	10,307,638
2028-2032	14,355,000	1,592,693	15,947,693
Total	\$ 24,000,000	\$ 10,465,841	\$ 34,465,841

In November 2009, September 2012 and January 2014, PCDC entered into agreements with the City to contribute its share of debt service payments to the City for bonds that the City issued on PCDC's behalf. PCDC's share of the 2009, 2013 and 2014 debt was determined to be \$2,750,000, \$4,600,000 and \$4,980,000, respectively, and was used for infrastructure improvements to land owned by PCDC and street projects related to economic development. PCDC has recorded a liability in its financial statements for its obligation to reimburse the City for its share of the debt service payments. The City has recorded a receivable from PCDC in its financial statements for PCDC's obligation to reimburse the debt service payments.

Future payments under the agreements are as follows:

Fiscal Year	2009 issue	2013 issue	2014 issue	Total
2018	\$ -	\$ -	\$ -	\$ -
2019	-	-	-	-
2020	27,024	34,205	53,332	114,561
2021	183,501	227,206	362,631	773,338
2022	184,701	224,206	361,031	769,938
2023-2027	914,418	1,566,031	1,812,156	4,292,605
2028-2032	920,050	2,355,506	1,806,556	5,082,112
2033-2035	549,513	754,638	359,231	1,663,382
Total repayment	2,779,207	5,161,792	4,754,937	12,695,936
Less interest	(820,834)	(1,196,934)	(1,113,734)	(3,131,502)
PCDC liability	\$ 1,958,373	\$ 3,964,858	\$ 3,641,203	\$ 9,564,434

In January 2017, the City Council approved use of the City funds drawn from an Irrevocable Letter of Credit related to the Arista Project as an advance of the PCDC's debt reimbursement payments to the City. This \$3,000,000 advance funds the PCDC's debt service obligations to the City in full for fiscal years 2017 through 2019 and partially in fiscal year 2020. This forgiveness of debt is allocated to \$1,500,566 of principal and \$1,499,434 of interest. For 2021 and thereafter, PCDC will be responsible for funding all of its obligations as reflected in the table above.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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 deposit 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
Annuity increases to retirees	70% of CPI Repeating

Employees covered by benefit terms: At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	148
Active employees	319
	529

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 13.78% and 13.67% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$2,553,159, and were equal to the required contributions.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

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)		
	Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Balance at 12/31/2015	\$ 49,994,468	\$ 38,877,819	\$ 11,116,649
Changes for the year:			
Service Cost	3,034,235		3,034,235
Interest	3,440,165		3,440,165
Changes of benefit terms			-
Difference between expected and actual experience	500,239		500,239
Changes of assumptions			-
Contributions - employer		2,420,286	(2,420,286)
Contributions - employee		1,242,085	(1,242,085)
Net investment income		2,628,887	(2,628,887)
Benefit payments, including refunds of employee contributions	(1,092,359)	(1,092,359)	-
Administrative expense		(29,674)	29,674
Other changes		(1,598)	1,598
Net changes	<u>5,882,280</u>	<u>5,167,627</u>	<u>714,653</u>
Balance at 12/31/2016	<u>\$ 55,876,748</u>	<u>\$ 44,045,446</u>	<u>\$ 11,831,302</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 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:

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 7: DEFINED BENEFIT PENSION PLAN (continued)

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 21,677,026	\$ 11,831,302	\$ 3,958,668

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.

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

For the year ended September 30, 2017, the City recognized pension expense of \$3,334,747.

At September 30, 2017, 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	\$ 468,008	\$ 27,253
Changes in actual assumptions	51,356	-
Differences between projected and actual investment earnings	1,665,080	3,707
Contributions subsequent to the measurement date	1,919,966	-
	<u>\$ 4,104,410</u>	<u>\$ 30,960</u>

\$1,939,831 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 asset for the year ending September 30, 2018. 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:	
2018	\$ 695,412
2019	695,412
2020	611,483
2021	92,068
Thereafter	59,109
	<u>\$ 2,153,484</u>

Note 8: POSTEMPLOYMENT HEALTH CARE BENEFITS

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 316 active employees and 22 retirees eligible to participate in the plan.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 8: POSTEMPLOYMENT HEALTH CARE BENEFITS (continued)

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.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

Annual Required Contribution (ARC)	\$	111,916
Interest on OPEB Obligation		27,149
Adjustment to the ARC		<u>(26,448)</u>
Annual OPEB Cost		112,617
Net estimated employer contributions		<u>(28,727)</u>
Increase (Decrease) in Net OPEB Obligation		83,890
Net OPEB Obligation, beginning of year		<u>678,729</u>
Net OPEB Obligation, end of year	\$	<u><u>762,619</u></u>

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for the fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Trend Information					
	Net Employer Contributions	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Required Contribution	Percentage of ARC Contributed
9/30/2015	\$ 34,588	\$ 92,372	37.4%	\$ 605,636	\$ 90,560	38.2%
9/30/2016	22,187	95,281	23.3%	678,729	93,276	23.8%
9/30/2017	28,727	112,617	25.5%	762,619	111,916	25.7%

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, for the past three valuations is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ -	\$ 532,642	\$ 532,642	0%	\$ 13,193,574	4.04%
12/31/2014	-	671,931	671,931	0%	15,009,641	4.48%
12/31/2016	-	1,203,235	1,203,235	0%	17,744,066	6.78%

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 8: POSTEMPLOYMENT HEALTH CARE BENEFITS (continued)

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$1,203,235 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 6.78%.

Actuarial Methods and Assumptions

The Individual Entry Age Normal Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

<u>Actuarial Valuation Date</u>	<u>12/31/2016</u>
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Amortization Method	Level as a percentage of payroll
Amortization Period	30 years, open period
Actuarial Assumptions:	
Investment Rate of Return	4.0%, net of expenses
Payroll Growth Rate	3% per annum
Inflation Rate	2.5% per annum
Healthcare Cost Trend Rate	Initial rate of 7.5% declining to an ultimate rate of 4.25% after 15 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City selects a firm to conduct an independent actuarial valuation of its employer financed health benefits every two years as required by GASB 45. The most recent valuation was performed by the consultant and actuarial firm Gabriel Roeder Smith & Company. 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.

Note 9: 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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 10: COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which 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 \$1,162,000 for the General Fund, \$19,850,000 for the Capital Projects Fund and \$2,887,000 for the Utility Fund.

On September 28, 2011, the City entered into a lease agreement with the Travis County Emergency Services District No. 2 to lease building space. On September 28, 2016, the City renewed this lease for an additional sixty months commencing on October 1, 2016. Rent expense for the year ended September 30, 2017 was \$131,034. Future payments due under the agreement are as follows:

Fiscal Year	
2018	\$ 131,034
2019	140,221
2020	140,221
2021	149,347
	\$ <u>271,255</u>

Note 11: TAX ABATEMENTS

The Governmental Accounting Standards Board released Statement 77, Tax Abatement Disclosures (GASB 77). The standard requires local governments for the first time to disclose information about tax abatement agreements for reporting periods beginning after December 15, 2015. Tax abatements result from agreements entered into 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 also 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 2017, the City rebated \$601,760 in taxes and made \$1,387,318 of infrastructure incentive payments.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 11: TAX ABATEMENTS (continued)

Tax Increment Reinvestment Zone – In 2010, the City created Pflugerville Tax Increment Reinvestment Zone (TIRZ) No. 1 under Chapter 311 of the Texas Tax Code to stimulate economic development in designated areas. Any ad valorem property value created within the TIRZ #1 above the base value of \$5,934,138 is dedicated to the TIRZ to pay for projects included in the adopted Project Plan and debt service on such projects. For fiscal year 2017 Pflugerville TIRZ #1 received \$933,805 of property tax increment.

Note 12: INVESTMENT IN DIRECT FINANCING LEASE

The PCDC has entered into a direct financing lease with Typhoon Texas for land and improvements for the Water Park. See Note 6 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	\$	22,875,500
Interest earnings		-
Net investment in direct financing lease	\$	<u><u>22,875,500</u></u>

The scheduled financing lease payments are as follows:

Fiscal Year			
2018	\$	-	
2019		1,150,000	
2020		1,150,000	
2021		1,150,000	
2022		1,150,000	
Thereafter		18,275,500	
Less: Interest		-	
	\$	<u><u>22,875,500</u></u>	

If Typhoon Texas elects to terminate the lease within the first five years, PCDC shall be obligated to pay Typhoon Texas \$4.5M to reimburse Typhoon for their initial capital investment. For this reason, PCDC has agreed to deposit with the City of Pflugerville \$900,000 for each of the first five years, beginning in FY 2017, to accumulate this reserve.

Note 13: SUBSEQUENT EVENTS

On December 1, 2017, the City issued \$16,950,000 Combination Tax and Limited Revenue Certificates of Obligation, Series 2017A and \$2,060,000 Combination Tax and Limited Revenue Certificates of Obligation, Series 2017B. Proceeds from the sale of the 2017A Certificates will be used for wastewater infrastructure improvements. Proceeds from the sale of the 2017B Certificates will be used for infrastructure improvements.

On December 1, 2017, the City issued \$17,355,000 Limited Tax Bonds, Series 2017 and \$14,130,000 Limited Tax Refunding Bonds, Series 2017. Proceeds from the sale of the Limited Tax Bonds will be used for streets and parks projects. Proceeds from the sale of the Limited Tax Refunding bonds will be used for partial refunding of the Series 2009A bonds.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 14: UPCOMING ACCOUNTING PRONOUNCEMENTS

The GASB has issued the following statements which will become effective in future years.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* – This statement establishes new accounting and financial reporting requirements for OPEB plans. This statement will become effective for the City in fiscal year 2018.

Statement No. 87, *Leases* – This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for leases accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement will become effective for the City in fiscal year 2021.

Note 15: PRIOR PERIOD ADJUSTMENT

As discussed in Note 6, in November 2009, September 2012 and January 2014, PCDC entered into agreements with the City to contribute its share of debt service payments to the City for bonds that the City issued on PCDC's behalf. Prior to fiscal year 2017, the City and PCDC disclosed PCDC's obligation in the notes to their respective financial statements. In fiscal year 2017, PCDC recorded a liability in its financial statements for its obligation to reimburse the City for its share of the debt service payments, and the City recorded a receivable from PCDC in its financial statements for PCDC's obligation to reimburse the debt service payments. As a result, the City's net position of governmental activities was increased at October 1, 2016 by \$11,065,000.

**REQUIRED
SUPPLEMENTAL INFORMATION**



CITY OF PFLUGERVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability			
Service cost	\$ 3,034,235	\$ 2,748,863	\$ 2,353,433
Interest on total pension liability	3,440,165	3,209,605	2,884,857
Changes of benefit terms	-	-	-
Differences between expected and actual experience	500,239	(41,827)	112,939
Change of assumptions	-	78,820	-
Benefit payments/refunds of contributions	<u>(1,092,359)</u>	<u>(956,134)</u>	<u>(863,241)</u>
Net change in total pension liability	5,882,280	5,039,327	4,487,988
Total pension liability, beginning	<u>49,994,468</u>	<u>44,955,141</u>	<u>40,467,153</u>
Total pension liability, ending (a)	<u>\$ 55,876,748</u>	<u>\$ 49,994,468</u>	<u>\$ 44,955,141</u>
Fiduciary Net Position			
Contributions - employer	\$ 2,420,286	\$ 2,222,649	\$ 1,958,758
Contributions - employee	1,242,085	1,129,891	1,050,675
Net investment income	2,628,888	53,810	1,858,571
Benefit payments/refunds of contributions	(1,092,359)	(956,134)	(863,241)
Administrative expenses	(29,674)	(32,771)	(19,398)
Other	<u>(1,599)</u>	<u>(1,619)</u>	<u>(1,595)</u>
Net change in fiduciary net position	5,167,627	2,415,826	3,983,770
Fiduciary net position, beginning	<u>38,877,819</u>	<u>36,461,993</u>	<u>32,478,223</u>
Fiduciary net position, ending (b)	<u>\$ 44,045,446</u>	<u>\$ 38,877,819</u>	<u>\$ 36,461,993</u>
Net pension liability / (asset), ending = (a) - (b)	<u>11,831,302</u>	<u>11,116,649</u>	<u>8,493,148</u>
Fiduciary net position as a percentage of total pension liability	78.83%	77.76%	81.11%
Pensionable covered payroll	\$ 17,744,066	\$ 16,141,296	\$ 15,009,641
Net pension liability as a percentage of covered payroll	66.68%	68.87%	56.58%

Note: The information from this schedule corresponds with the period covered as of the Plan's measurement dates of December 31. Plan information was unavailable prior to 2014. Ten years will ultimately be displayed.

**CITY OF PFLUGERVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
FOR FISCAL YEAR 2017**

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2015	\$ 2,148,925	\$ 2,148,925	\$ -	\$ 15,831,530	13.57%
2016	2,450,172	2,450,172	-	17,919,058	13.67%
2017	2,527,062	2,527,062	-	18,641,283	13.56%

Note: The information from this schedule corresponds with the City's fiscal years ended September 30. Plan information was unavailable prior to 2014. Ten years will ultimately be displayed.

COMBINING SCHEDULES



**CITY OF PFLUGERVILLE, TEXAS
COMBINING BALANCE SCHEDULE
GENERAL FUND - SUBFUNDS
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Reserve Funds</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 14,420,761	\$ 2,318,485	\$ 16,739,246
Taxes receivable	2,000,669	-	2,000,669
Other receivables	972,078	-	972,078
Due from other funds	717,970	-	717,970
Due from component unit	9,610,417	-	9,610,417
Total assets	<u>\$ 27,721,895</u>	<u>\$ 2,318,485</u>	<u>\$ 30,040,380</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 1,097,935	\$ 30,580	\$ 1,128,515
Wages payable	320,298	-	320,298
Due to other funds	15,965	-	15,965
Total liabilities	<u>1,434,198</u>	<u>30,580</u>	<u>1,464,778</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes and fines, long-term receivable	<u>10,348,343</u>	<u>-</u>	<u>10,348,343</u>
Total deferred inflows of resources	<u>10,348,343</u>	<u>-</u>	<u>10,348,343</u>
FUND BALANCES			
Committed for:			
General capital reserve	-	2,210,392	2,210,392
Specific programs	-	77,513	77,513
Unassigned	<u>15,939,354</u>	<u>-</u>	<u>15,939,354</u>
Total fund balances	<u>15,939,354</u>	<u>2,287,905</u>	<u>18,227,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,721,895</u>	<u>\$ 2,318,485</u>	<u>\$ 30,040,380</u>

**CITY OF PFLUGERVILLE, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GENERAL FUND - SUBFUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General</u>	<u>Reserve Funds</u>	<u>Totals</u>
REVENUES			
Taxes:			
Property	\$ 14,584,682	\$ -	\$ 14,584,682
Sales	8,318,945	-	8,318,945
Franchise	3,622,478	-	3,622,478
Mixed beverage	80,634	-	80,634
Licenses and permits	1,976,278	-	1,976,278
Intergovernmental	736,323	-	736,323
Fines and forfeitures	922,511	-	922,511
Investment income	173,535	-	173,535
Charges for services	565,215	-	565,215
Other income	481,604	-	481,604
Total revenues	<u>31,462,205</u>	<u>-</u>	<u>31,462,205</u>
EXPENDITURES			
Current:			
General government	8,675,748	-	8,675,748
Public safety	12,907,210	58,349	12,965,559
Public works and streets	5,245,778	68,431	5,314,209
Culture and recreation	4,058,734	-	4,058,734
Capital outlay	610,532	2,097,291	2,707,823
Total expenditures	<u>31,498,002</u>	<u>2,224,071</u>	<u>33,722,073</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,797)	(2,224,071)	(2,259,868)
OTHER FINANCING SOURCES (USES)			
Transfers in (out) - intrafund	(600,000)	600,000	-
Transfers in	2,621,230	-	2,621,230
Transfers out	-	(35,000)	(35,000)
Proceeds from sale of capital assets	46,751	-	46,751
Insurance recoveries	114,363	-	114,363
Total other financing sources and uses	<u>2,182,344</u>	<u>565,000</u>	<u>2,747,344</u>
NET CHANGE IN FUND BALANCES	2,146,547	(1,659,071)	487,476
FUND BALANCES, BEGINNING	<u>13,792,807</u>	<u>3,946,976</u>	<u>17,739,783</u>
FUND BALANCES, ENDING	<u>\$ 15,939,354</u>	<u>\$ 2,287,905</u>	<u>\$ 18,227,259</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Pflugerville’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	77
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	84
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	
Debt Capacity	91
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	96
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	99
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the service the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Pflugerville
Net Position by Components
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net Investment in Capital Assets	\$ 159,687	\$ 153,437	\$ 149,792	\$ 143,269	\$ 132,428	\$ 121,820	\$ 119,082	\$ 121,114	\$ 110,465	\$ 108,984
Restricted	2,100	1,849	1,508	1,636	2,414	2,460	2,691	2,804	3,395	3,851
Unrestricted	6,756	10,961	9,637	11,622	12,255	12,013	13,905	9,276	11,441	20,658
Total governmental activities net position	<u>\$ 168,544</u>	<u>\$ 166,246</u>	<u>\$ 160,937</u>	<u>\$ 156,527</u>	<u>\$ 147,097</u>	<u>\$ 136,293</u>	<u>\$ 135,678</u>	<u>\$ 133,193</u>	<u>\$ 125,302</u>	<u>\$ 133,493</u>
Business-type activities										
Net Investment in Capital Assets	\$ 58,301	\$ 61,139	\$ 64,633	\$ 69,065	\$ 69,870	\$ 73,042	\$ 82,043	\$ 81,232	\$ 87,523	\$ 93,657
Restricted	10,403	9,578	7,354	6,679	6,569	6,091	8,842	11,281	11,976	11,418
Unrestricted	9,798	10,145	9,061	10,089	12,675	14,048	13,596	14,689	15,857	17,056
Total business-type activities net position	<u>\$ 78,502</u>	<u>\$ 80,863</u>	<u>\$ 81,047</u>	<u>\$ 85,833</u>	<u>\$ 89,115</u>	<u>\$ 93,180</u>	<u>\$ 104,481</u>	<u>\$ 107,203</u>	<u>\$ 115,356</u>	<u>\$ 122,131</u>
Primary government										
Net Investment in Capital Assets	\$ 217,988	\$ 214,577	\$ 214,425	\$ 212,334	\$ 202,298	\$ 194,862	\$ 201,125	\$ 202,346	\$ 197,988	\$ 202,641
Restricted	12,503	11,427	8,862	8,315	8,983	8,551	11,533	14,085	15,371	15,268
Unrestricted	16,555	21,106	18,698	21,711	24,930	26,061	27,501	23,965	27,298	37,715
Total primary government net position	<u>\$ 247,045</u>	<u>\$ 247,109</u>	<u>\$ 241,984</u>	<u>\$ 242,360</u>	<u>\$ 236,211</u>	<u>\$ 229,473</u>	<u>\$ 240,159</u>	<u>\$ 240,396</u>	<u>\$ 240,658</u>	<u>\$ 255,624</u>

City of Pflugerville
Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting; amounts expressed in thousands)

Expenses	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:										
General government	\$ 4,341	\$ 4,903	\$ 4,925	\$ 6,079	\$ 7,015	\$ 5,315	\$ 6,094	\$ 6,783	\$ 7,428	\$ 10,444
Public safety	7,662	9,435	10,598	10,643	11,061	11,639	12,237	13,018	15,012	17,271
Public works and streets	11,423	11,099	13,447	12,047	13,534	13,557	19,772	15,976	22,546	18,471
Culture/Recreation	3,086	3,563	3,610	3,672	3,874	4,375	4,783	4,475	4,933	5,312
Interest on long term debt	2,504	3,005	3,537	3,520	3,343	3,634	3,660	3,846	4,702	5,379
Total governmental activities expenses	<u>29,017</u>	<u>32,005</u>	<u>36,118</u>	<u>35,961</u>	<u>38,826</u>	<u>38,520</u>	<u>46,547</u>	<u>44,097</u>	<u>54,621</u>	<u>56,877</u>
Business-type expenses:										
Water and wastewater	16,467	18,016	16,211	17,744	17,010	18,540	18,751	19,249	21,440	21,981
Solid waste	2,328	2,816	3,273	3,475	3,623	3,767	3,916	4,125	4,360	4,636
Total business-type expenses	<u>18,796</u>	<u>20,832</u>	<u>19,484</u>	<u>21,219</u>	<u>20,633</u>	<u>22,307</u>	<u>22,667</u>	<u>23,374</u>	<u>25,799</u>	<u>26,617</u>
Total primary government expenses	<u>\$ 47,813</u>	<u>\$ 52,836</u>	<u>\$ 55,602</u>	<u>\$ 57,180</u>	<u>\$ 59,459</u>	<u>\$ 60,827</u>	<u>\$ 69,214</u>	<u>\$ 67,471</u>	<u>\$ 80,421</u>	<u>\$ 83,494</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,557	\$ 837	\$ 539	\$ 648	\$ 928	\$ 1,247	\$ 1,586	\$ 1,435	\$ 1,582	\$ 1,960
Public safety	1,447	2,710	2,496	2,788	2,943	2,874	3,049	3,287	3,693	3,638
Public works and streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	744	736	791	737	785	757	717	698	741	749
Operating grants and contributions	150	87	349	283	244	202	479	210	376	493
Capital grants and contributions	9,314	3,918	3,275	1,910	3,475	2,882	11,921	12,499	5,949	9,466
Total governmental activities program revenues	<u>13,211</u>	<u>8,290</u>	<u>7,450</u>	<u>6,367</u>	<u>8,374</u>	<u>7,962</u>	<u>17,753</u>	<u>18,129</u>	<u>12,341</u>	<u>16,306</u>
Business-type activities:										
Charges for services:										
Water and wastewater	15,086	16,287	15,574	18,869	17,951	18,258	17,967	19,457	21,042	21,811
Solid waste	2,388	2,856	3,300	3,484	3,622	3,777	3,935	4,112	4,387	4,631
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	4,174	4,403	1,184	4,183	3,007	5,834	12,704	8,819	9,113	7,405
Total business-type activities program revenues	<u>21,647</u>	<u>23,546</u>	<u>20,058</u>	<u>26,536</u>	<u>24,580</u>	<u>27,869</u>	<u>34,606</u>	<u>32,387</u>	<u>34,542</u>	<u>33,847</u>
Total primary government program revenues	<u>\$ 34,858</u>	<u>\$ 31,836</u>	<u>\$ 27,508</u>	<u>\$ 32,903</u>	<u>\$ 32,954</u>	<u>\$ 35,831</u>	<u>\$ 52,359</u>	<u>\$ 50,516</u>	<u>\$ 46,884</u>	<u>\$ 50,153</u>

Changes in Net Position (cont.)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities:	(15,806)	(23,715)	(28,668)	(29,594)	(30,452)	(30,558)	(28,794)	(25,968)	(42,280)	(40,571)
Business-type activities:	2,852	2,714	574	5,317	3,947	5,563	11,939	9,014	8,743	7,231
Total primary government net expense	<u>\$ (12,955)</u>	<u>\$ (21,000)</u>	<u>\$ (28,094)</u>	<u>\$ (24,277)</u>	<u>\$ (26,505)</u>	<u>\$ (24,995)</u>	<u>\$ (16,855)</u>	<u>\$ (16,955)</u>	<u>\$ (33,537)</u>	<u>\$ (33,340)</u>
General Revenues and Other Changes										
in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 11,753	\$ 15,271	\$ 16,261	\$ 16,940	\$ 17,005	\$ 17,040	\$ 17,356	\$ 18,411	\$ 21,024	\$ 23,695
Sales taxes	2,764	3,213	3,364	3,898	4,419	4,833	5,658	6,736	7,550	8,319
Franchise taxes	2,131	2,438	2,595	2,999	2,931	2,913	3,323	3,493	3,561	3,728
Alcoholic beverage taxes	30	26	22	28	24	35	68	76	87	81
Hotel taxes	-	-	-	-	-	-	-	1	20	150
Investment earnings	681	202	86	58	38	32	38	79	270	562
Other income	367	187	736	494	488	356	855	1,057	1,019	271
Gain on sale of capital assets	-	-	9	27	19	39	14	-	-	47
Transfers	500	500	500	700	750	(772)	750	315	857	844
Total governmental activities	<u>18,226</u>	<u>21,837</u>	<u>23,574</u>	<u>25,144</u>	<u>25,674</u>	<u>24,477</u>	<u>28,061</u>	<u>30,167</u>	<u>34,388</u>	<u>37,697</u>
Business-type activities:										
Investment earnings	720	147	56	32	25	24	11	55	159	334
Other income	-	-	50	136	50	144	101	135	109	51
Gain on sale of capital assets	5	-	5	-	9	-	-	61	-	3
Transfers	(500)	(500)	(500)	(700)	(750)	772	(750)	(315)	(857)	(844)
Total business type activities	<u>225</u>	<u>(353)</u>	<u>(389)</u>	<u>(532)</u>	<u>(665)</u>	<u>940</u>	<u>(638)</u>	<u>(64)</u>	<u>(589)</u>	<u>(456)</u>
Total primary government	<u>\$ 18,451</u>	<u>\$ 21,484</u>	<u>\$ 23,185</u>	<u>\$ 24,612</u>	<u>\$ 25,008</u>	<u>\$ 25,417</u>	<u>\$ 27,423</u>	<u>\$ 30,103</u>	<u>\$ 33,799</u>	<u>\$ 37,241</u>
Change in Net Position										
Governmental activities	\$ 2,420	\$ (1,877)	\$ (5,093)	\$ (4,451)	\$ (4,778)	\$ (6,081)	\$ (733)	\$ 4,198	\$ (7,892)	\$ (2,873)
Business-type activities	3,077	2,361	184	4,786	3,282	6,502	11,301	8,950	8,153	6,775
Total primary government	<u>\$ 5,497</u>	<u>\$ 484</u>	<u>\$ (4,909)</u>	<u>\$ 335</u>	<u>\$ (1,497)</u>	<u>\$ 422</u>	<u>\$ 10,568</u>	<u>\$ 13,148</u>	<u>\$ 262</u>	<u>\$ 3,902</u>

City of Pflugerville
Fund Balances of Governmental Funds
(modified accrual basis of accounting; amounts expressed in thousands)
Last Ten Fiscal Years

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,838	9,398	7,897	-	-	-	-	-	-	-
Committed	-	-	-	2,765	1,592	2,432	2,624	2,906	3,947	2,288
Unassigned	-	-	-	6,844	8,961	9,513	11,154	12,222	13,793	15,939
Total general fund	<u>\$ 7,838</u>	<u>\$ 9,398</u>	<u>\$ 7,897</u>	<u>\$ 9,609</u>	<u>\$ 10,553</u>	<u>\$ 11,945</u>	<u>\$ 13,778</u>	<u>\$ 15,128</u>	<u>\$ 17,740</u>	<u>\$ 18,227</u>
All other governmental funds										
Reserved	\$ 1,744	\$ 1,723	\$ 2,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	292	280	371	-	-	-	-	-	-	-
Capital projects funds	7,427	14,863	18,594	-	-	-	-	-	-	-
Restricted	-	-	-	18,956	12,788	11,516	6,705	24,152	49,571	28,613
Committed	-	-	-	50	116	164	214	78	105	64
Assigned	-	-	-	-	10	5	6	5	5	5
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 9,463</u>	<u>\$ 16,866</u>	<u>\$ 21,035</u>	<u>\$ 19,006</u>	<u>\$ 12,913</u>	<u>\$ 11,684</u>	<u>\$ 6,924</u>	<u>\$ 24,235</u>	<u>\$ 49,681</u>	<u>\$ 28,682</u>
Total fund balances	<u>\$ 17,301</u>	<u>\$ 26,264</u>	<u>\$ 28,932</u>	<u>\$ 28,615</u>	<u>\$ 23,466</u>	<u>\$ 23,629</u>	<u>\$ 20,702</u>	<u>\$ 39,363</u>	<u>\$ 67,421</u>	<u>\$ 46,909</u>

*Beginning in 2011 the City implemented GASB Statement No. 54, which modified the fund balance reporting categories.

City of Pflugerville
Governmental Activities Tax Revenues by Source
(accrual basis of accounting)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Hotel Tax</u>	<u>Total</u>
2008	\$ 11,753,499	\$ 2,763,666	\$ 2,130,589	\$ 30,145	\$ -	\$ 16,677,899
2009	15,270,534	3,213,139	2,438,209	26,256	-	20,948,138
2010	16,261,249	3,363,739	2,595,306	22,286	-	22,242,580
2011	16,939,622	3,897,834	2,998,551	28,324	-	23,864,331
2012	17,005,330	4,418,653	2,930,906	24,070	-	24,378,959
2013	17,040,128	4,833,364	2,913,034	35,467	-	24,821,993
2014	17,356,210	5,658,163	3,322,550	67,504	-	26,404,427
2015	18,410,622	6,735,674	3,492,706	76,020	1,093	28,716,115
2016	21,024,450	7,549,829	3,561,040	86,543	20,193	32,242,055
2017	23,695,020	8,318,945	3,727,855	80,634	149,897	35,972,351

City of Pflugerville
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting; amounts expressed in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 16,713	\$ 20,770	\$ 22,268	\$ 23,862	\$ 24,393	\$ 24,794	\$ 26,364	\$ 28,765	\$ 32,163	\$ 36,038
Licenses and permits	1,344	610	588	696	1,009	1,332	1,663	1,541	1,654	2,037
Intergovernmental	244	3,492	1,618	1,878	1,983	2,261	4,192	3,916	3,675	7,747
Fines	921	1,053	1,134	1,189	1,316	1,131	1,116	1,129	1,191	1,020
Interest income	681	202	86	58	38	32	38	79	270	562
Miscellaneous	2,047	3,119	2,891	1,185	1,052	835	880	912	931	1,132
Total revenues	<u>21,951</u>	<u>29,246</u>	<u>28,585</u>	<u>28,870</u>	<u>29,792</u>	<u>30,385</u>	<u>34,253</u>	<u>36,343</u>	<u>39,884</u>	<u>48,536</u>
Expenditures										
General government	\$ 4,184	\$ 4,489	\$ 4,581	\$ 4,824	\$ 4,789	\$ 4,889	\$ 5,880	\$ 6,444	\$ 6,830	\$ 9,030
Public safety	7,368	8,889	9,851	9,913	10,324	10,977	11,564	12,348	14,017	15,400
Public works and streets	2,682	1,910	1,787	1,841	2,722	2,725	2,889	3,746	3,768	5,314
Culture and recreation	2,904	3,174	3,226	3,251	3,239	3,634	3,771	3,770	3,874	4,186
Capital outlay	5,884	11,369	12,545	10,536	8,926	7,954	12,545	5,922	25,619	26,944
Debt service										
Principal	1,219	1,535	1,852	2,272	2,344	2,475	2,812	2,910	3,003	3,533
Interest	2,411	2,847	3,317	3,373	3,266	3,411	3,514	3,436	3,794	5,642
Other charges	333	508	502	370	78	217	145	317	805	6
Total expenditures	<u>26,986</u>	<u>34,721</u>	<u>37,661</u>	<u>36,381</u>	<u>35,688</u>	<u>36,282</u>	<u>43,119</u>	<u>38,894</u>	<u>61,710</u>	<u>70,055</u>
Excess of revenues over (under) expenditures	\$ (5,035)	\$ (5,475)	\$ (9,076)	\$ (7,511)	\$ (5,896)	\$ (5,898)	\$ (8,866)	\$ (2,550)	\$ (21,827)	\$ (21,519)

Changes in Fund Balances of Governmental Funds (cont.)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses)										
Transfers out	\$ (45)	\$ -	\$ (7)	\$ (126)	\$ (49)	\$ (1,585)	\$ (59)	\$ (638)	\$ (281)	\$ (2,069)
Transfers in	545	500	507	826	799	813	809	953	1,138	2,913
Sale of capital assets	1	7	9	27	19	39	14	26	50	47
Premium on bonds issued	111	-	43	388	2,128	64	154	1,448	6,880	-
Discount on bonds issued	-	(154)	(97)	(9)	-	-	-	-	-	-
Bond Proceeds	10,315	14,500	14,382	16,229	14,982	6,600	4,980	22,441	68,980	-
Payment to bond refunding escrow agent	-	-	(2,902)	(10,282)	(17,160)	-	-	(3,045)	(26,928)	-
Insurance recoveries	6	6	29	101	28	11	41	27	46	117
Total other financing sources (uses)	<u>10,933</u>	<u>14,859</u>	<u>11,964</u>	<u>7,153</u>	<u>747</u>	<u>5,943</u>	<u>5,939</u>	<u>21,212</u>	<u>49,885</u>	<u>1,008</u>
Net change in fund balances	<u>\$ 5,898</u>	<u>\$ 9,384</u>	<u>\$ 2,889</u>	<u>\$ (358)</u>	<u>\$ (5,149)</u>	<u>\$ 45</u>	<u>\$ (2,927)</u>	<u>\$ 18,661</u>	<u>\$ 28,058</u>	<u>\$ (20,511)</u>
Capital outlay including amounts reported										
under departmental expenditures	\$ 6,259	\$ 11,211	\$ 12,232	\$ 9,285	\$ 6,234	\$ 7,558	\$ 6,689	\$ 5,580	\$ 18,969	\$ 26,033
Debt service as a percentage										
of noncapital expenditures	17.5%	18.6%	20.3%	20.8%	19.0%	20.5%	17.4%	19.0%	15.9%	20.8%

City of Pflugerville
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable Assessed Value	Percent of Growth in Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property		Tax Exempt Real Property					
2008	\$ 1,601,403,371	\$ 305,574,017	\$ 79,775,407	\$ 90,922,779	\$ 1,895,830,016	25.06%	\$ 0.6190	\$ 1,895,830,016	100.0%
2009	2,000,762,235	483,463,819	179,109,976	174,166,430	2,489,169,600	31.30%	0.6140	2,489,169,600	100.0%
2010	2,180,612,058	538,457,480	198,209,982	293,270,168	2,624,009,352	5.42%	0.6090	2,624,009,352	100.0%
2011	2,273,827,616	546,581,824	196,080,703	235,132,531	2,781,357,612	6.00%	0.6040	2,781,357,612	100.0%
2012	2,343,923,432	519,094,632	172,089,561	231,415,306	2,803,692,319	0.80%	0.5990	2,803,692,319	100.0%
2013	2,276,991,273	572,854,494	241,161,415	264,075,219	2,826,931,963	0.83%	0.5940	2,826,931,963	100.0%
2014	2,438,725,287	532,237,861	577,588,825	535,819,349	3,012,732,624	6.57%	0.5736	3,012,732,624	100.0%
2015	2,757,615,637	990,762,887	399,206,912	704,956,961	3,442,628,475	14.27%	0.5336	3,442,628,475	100.0%
2016	3,147,282,746	1,206,387,574	326,625,017	808,467,090	3,871,828,247	12.47%	0.5405	3,871,828,247	100.0%
2017	3,628,025,355	1,340,384,319	333,559,477	899,533,163	4,402,435,988	13.70%	0.5399	4,402,435,988	100.0%

Source: Travis Central Appraisal District; Williamson County Appraisal District

City of Pflugerville
Property Tax Rates - Direct and Overlapping Governments
(per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City of Pflugerville			Travis County			Pflugerville Independent School District			Travis County Emergency Services District #2			Travis County Healthcare District			Total Direct & Overlapping Rates
	General Fund O & M*	Debt Service	Total City	O & M*	Debt Service	Total County	O & M*	Debt Service	Total PISD	O & M*	Debt Service	Total ESD#2	O & M*	Debt Service	Total TCHD	
2008	\$0.4236	\$0.1954	\$0.6190	\$0.3405	\$0.0811	\$0.4216	\$1.0400	\$0.4300	\$1.4700	\$0.0906	\$0.0094	\$0.1000	\$0.0693	\$0.0000	\$0.0693	\$2.6799
2009	0.4371	0.1769	0.6140	0.3394	0.0728	0.4122	1.0400	0.4200	1.4600	0.0937	0.0063	0.1000	0.0679	0.0000	0.0679	2.6541
2010	0.4114	0.1976	0.6090	0.3517	0.0698	0.4215	1.0400	0.4200	1.4600	0.0938	0.0062	0.1000	0.0674	0.0000	0.0674	2.6579
2011	0.4101	0.1939	0.6040	0.3858	0.0800	0.4658	1.0400	0.4200	1.4600	0.0938	0.0062	0.1000	0.0719	0.0000	0.0719	2.7017
2012	0.3937	0.2053	0.5990	0.4085	0.0770	0.4855	1.0400	0.4400	1.4800	0.0938	0.0062	0.1000	0.0774	0.0015	0.0789	2.7434
2013	0.3946	0.1994	0.5940	0.4217	0.0784	0.5001	1.0400	0.5000	1.5400	0.0939	0.0061	0.1000	0.0774	0.0015	0.0789	2.8130
2014	0.3851	0.1885	0.5736	0.4190	0.0756	0.4946	1.0400	0.5000	1.5400	0.0942	0.0058	0.1000	0.1277	0.0013	0.1290	2.8372
2015	0.3700	0.1636	0.5336	0.3850	0.0713	0.4563	1.0400	0.5000	1.5400	0.0930	0.0052	0.0982	0.1253	0.0011	0.1264	2.7545
2016	0.3665	0.1740	0.5405	0.3486	0.0683	0.4169	1.0400	0.5000	1.5400	0.0913	0.0045	0.0958	0.1168	0.0010	0.1178	2.7110
2017	0.3526	0.1873	0.5399	0.3222	0.0616	0.3838	1.0400	0.5000	1.5400	0.0997	0.0003	0.1000	0.1096	0.0009	0.1105	2.6742

* O & M: Operations and Maintenance.

Source: Travis Central Appraisal District

**City of Pflugerville
Water and Wastewater Rates
Last Ten Fiscal Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Water Rates</u>										
Base Charge	\$ 13.68	\$ 13.68	\$ 13.68	\$ 13.68	\$ 13.68	\$ 13.68	\$ 13.68	\$ 15.50	\$ 15.50	\$ 15.50
Usage:										
0 - 3,000 gallons								\$ 3.40	\$ 3.40	\$ 3.40
0 - 12,000 gallons	\$ 4.35	\$ 4.35	\$ 4.35	\$ 4.35	\$ 4.35	\$ 4.35	\$ 4.35			
0 - 15,000 gallons										
3,000 - 10,000 gallons								\$ 4.30	\$ 4.30	\$ 4.30
10,001 - 25,000 gallons								\$ 5.40	\$ 5.40	\$ 5.40
15,001 - 20,000 gallons										
12,000 - 26,000 gallons	\$ 4.61	\$ 4.61	\$ 4.61	\$ 4.61	\$ 4.61	\$ 4.61	\$ 4.61			
20,001 - 25,000 gallons										
25,001 + gallons								\$ 6.80	\$ 6.80	\$ 6.80
25,001 - 30,000 gallons										
26,001 + gallons	\$ 4.73	\$ 4.73	\$ 4.73	\$ 4.73	\$ 4.73	\$ 4.73	\$ 4.73			
30,001 - 35,000 gallons										
35,001 - 40,000 gallons										
40,001 - 45,000 gallons										
45,000 + gallons										
<u>Wastewater Rates</u>										
Base (4,000 gallons)										
Base (3,000 gallons)	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50			
Base (0 gallons)								\$ 19.50	\$ 19.50	\$ 19.50
Usage per 1,000 gallons	\$ 3.51	\$ 3.51	\$ 3.51	\$ 3.51	\$ 3.51	\$ 3.51	\$ 3.51	\$ 1.25	\$ 1.25	\$ 1.25
City average (new customers)	\$ 27.65	\$ 30.61	\$ 26.04	\$ 28.30	\$ 27.45	\$ 28.85	\$ 25.17	\$ 25.63	\$ 25.50	\$ 26.13

Note: The rates and charges provided represent those of a residential customer within the City limits with a typical 5/8" - 3/4" meter. This segment of the Utility customer base represents the largest portion of the City's utility customers. Wastewater rates are based on the customer's winter water usage (the lowest three winter months of November, December, January and February). New customers start with the City average until their own rate is established.

Source: Utility Billing Department

**City of Pflugerville
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
A-S 93 SH130 - SH45, L.P.	\$ 125,523,839	1	2.85%	\$ -	-	-
BRE MF Stone Hill LLC	50,400,000	2	1.14%	-	-	-
1825 Place LLC	38,220,000	3	0.87%	-	-	-
Swenson Farms Apartment Community	35,205,500	4	0.80%	-	-	-
Springbrook APTSP1 LP	32,439,200	5	0.74%	-	-	-
Piret (Impact Way) Holdings LLC	28,367,850	6	0.64%	-	-	-
Target Corporation	27,030,559	7	0.61%	-	-	-
Oncor Electric Delivery Company LLC	24,016,002	8	0.55%	17,931,640	4	0.95%
Western Rim Investors 2014-6LP	21,224,746	9	0.48%	-	-	-
Wal-Mart Real Estate Business Trust	20,524,983	10	0.47%	19,362,805	3	1.02%
Pflugerville Covington	-	-	-	23,650,000	1	1.25%
SCA 115 Swenson LLC	-	-	-	22,911,415	2	1.21%
Flextronics	-	-	-	17,711,960	5	0.94%
Rodman Excavation Inc	-	-	-	16,394,148	6	0.87%
H. E. B. Grocery Co.	-	-	-	12,350,000	7	0.65%
Verde Meister Lane LP	-	-	-	11,281,613	8	0.60%
Terrabrook Falcon Pointe LP	-	-	-	11,246,494	9	0.59%
Timmerman Terrell	-	-	-	9,602,568	10	0.51%
	<u>\$ 402,952,679</u>		<u>9.15%</u>	<u>\$ 162,442,643</u>		<u>8.58%</u>

Source: Travis Central Appraisal District

**City of Pflugerville
 Water and Wastewater Customers
 Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>	
	<u>Water Customers</u>	<u>Percentage of Change</u>	<u>Wastewater Customers</u>	<u>Percentage of Change</u>
2008	11,293	5.3%	12,220	5.7%
2009	11,731	3.9%	12,670	3.7%
2010	12,154	3.6%	13,076	3.2%
2011	12,640	4.0%	13,567	3.8%
2012	13,213	4.5%	14,115	4.0%
2013	13,844	4.8%	14,728	4.3%
2014	14,651	5.8%	15,514	5.3%
2015	15,607	6.5%	16,462	6.1%
2016	16,515	5.8%	17,393	5.7%
2017	17,480	5.8%	18,391	5.7%

Source: Utility Billing department.

**City of Pflugerville
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Original Tax Levy for the Fiscal Year¹</u>	<u>Adjusted Tax Levy for the Fiscal Year²</u>	<u>Collected within the fiscal year of the Levy</u>		<u>Tax Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Levy</u>
			<u>Amount</u>	<u>Percent of Levy</u>			
2008	\$ 11,714,211	\$ 11,668,894	\$ 11,616,369	99.55%	\$ 31,957	\$ 11,648,325	99.82%
2009	15,283,501	15,055,217	15,013,754	99.72%	19,867	15,033,621	99.86%
2010	15,980,217	16,260,264	16,129,455	99.20%	93,956	16,223,412	99.77%
2011	16,799,400	16,958,006	16,840,393	99.31%	89,032	16,929,425	99.83%
2012	16,794,117	17,042,787	16,929,307	99.33%	85,875	17,015,181	99.84%
2013	16,791,976	17,008,356	16,892,470	99.32%	81,358	16,973,828	99.80%
2014	17,189,602	17,320,892	17,245,430	99.56%	49,402	17,294,832	99.85%
2015	17,999,015	18,328,145	18,291,430	99.80%	9,383	18,300,813	99.85%
2016	20,265,425	20,844,072	20,878,898	100.17%	(78,052)	20,800,846	99.79%
2017	22,806,319	23,728,362	23,676,457	99.78%	-	23,676,457	99.78%

Source: Travis Central Appraisal District; Williamson County Appraisal District

¹ Represents the original, certified tax levy for general and debt service property taxes.

² Represents the certified tax levy for general and debt service property taxes adjusted for settled property tax value protests and other disputes.

City of Pflugerville
Water and Wastewater Revenue Collected
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Revenue</u>	<u>Wastewater Revenue</u>
2008	\$ 9,831,538	\$ 4,990,730
2009	10,752,853	5,338,220
2010	10,304,179	5,269,972
2011	13,362,222	5,506,942
2012	12,216,367	5,735,116
2013	12,122,244	6,136,113
2014	11,719,177	6,248,186
2015	13,316,634	6,139,955
2016	14,445,893	6,596,113
2017	14,729,015	7,082,114

Source: City Financial Reports

City of Pflugerville
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Governmental Activities										
Fiscal Year	General Obligation Bonds ¹		Certificates of Obligation		Refunding Bonds	Capital Leases	Deferred Charges ²	Total Governmental Activities		
2008	\$	16,065	\$	35,817	\$	-	\$	138	\$	52,019
2009		18,700		46,147		-		(15)		64,832
2010		15,765		55,687		2,881		(69)		74,264
2011		17,505		49,129		12,213		295		79,142
2012		5,780		43,535		26,556		2,375		78,246
2013		7,205		46,965		25,820		2,327		82,317
2014		6,555		50,786		24,817		2,362		84,520
2015		17,730		54,943		26,043		3,614		102,330
2016		45,266		47,816		47,156		10,290		150,528
2017		44,539		46,604		45,562		9,869		146,574

Business-Type Activities										
Fiscal Year	Revenue Bonds		Certificates of Obligation		Refunding Bonds	Capital Leases	Deferred Charges ²	Total Business-Type Activities		
	Water	Wastewater	Water	Wastewater						
2008	\$	3,041	\$	1,256	\$	46,485	\$	284	\$	79,204
2009		2,715		1,085		45,905		273		77,661
2010		-		-		45,303		236		81,943
2011		-		-		39,341		432		80,635
2012		-		-		1,828		18,832		54,549
2013		-		-		1,134		18,195		53,955
2014		-		-		622		17,522		53,148
2015		-		-		11,548		11,104		62,242
2016		-		-		11,405		10,914		60,208
2017		-		-		11,176		10,690		57,924

Fiscal Year	Total Primary Government Debt	Percentage of Personal Income ³	Per Capita		
2008	\$	131,223	11.05%	\$	3,138
2009		142,493	11.30%		3,208
2010		156,207	11.72%		3,328
2011		159,777	11.83%		3,337
2012		160,503	10.81%		3,205
2013		162,325	10.16%		3,048
2014		162,211	9.65%		2,958
2015		195,101	11.53%		3,518
2016		240,549	12.97%		4,209
2017		233,481	11.44%		3,815

¹ General Obligation Bonds include Limited Tax Bonds.

² Deferred charges include premiums and discounts on bonds.

³ See the Demographics Statistics for personal income and population data.

Source: City Financial Reports

**City of Pflugerville
 General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (amounts expressed in thousands, except per capita amount)**

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Refunding Bonds	Deferred Charges¹	Total	Less: Accumulated Resources	Net General Bonded Debt Total	Percentage of Estimated Actual Taxable Value of Property	Net Debt Per Capita
2008	\$ 16,065	\$ 35,817	\$ -	\$ 138	\$ 52,020	\$ 1,040	\$ 50,979	2.69%	\$ 1,219
2009	18,700	46,147	-	(15)	64,832	1,297	63,535	2.55%	1,430
2010	15,765	55,687	2,881	(69)	74,264	1,485	72,779	2.77%	1,551
2011	17,505	49,129	12,213	295	79,142	1,583	77,559	2.79%	1,620
2012	5,780	43,535	26,556	2,375	78,246	1,565	76,681	2.74%	1,531
2013	7,205	46,965	25,820	2,327	82,317	1,646	80,671	2.85%	1,515
2014	6,555	50,786	24,817	2,362	84,520	1,690	82,830	2.75%	1,510
2015	17,730	54,943	26,043	3,614	102,330	2,047	100,283	2.91%	1,808
2016	45,266	47,816	47,156	10,290	150,528	3,011	147,517	3.81%	2,581
2017	44,539	46,604	45,562	9,869	146,574	2,931	143,643	3.26%	2,347

¹ Deferred charges include premiums and discounts on bonds.

**City of Pflugerville
Direct and Overlapping Governmental Activities Debt
September 30, 2017**

<u>Taxing Body</u>	<u>Debt Outstanding¹</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Estimated Overlapping Debt:			
Travis County MUD #15	\$ 26,020,000	100.00%	\$ 26,020,000
Pflugerville I.S.D.	455,775,000	41.84%	190,696,260
Travis County	684,531,179	2.56%	17,523,998
Travis County Healthcare District	10,380,000	2.56%	265,728
North East Travis County Utility District	17,790,000	0.25%	44,475
Williamson County	872,279,942	0.03%	261,684
Austin CCD	<u>297,583,965</u>	0.02%	<u>59,517</u>
Total estimated overlapping debt	<u>2,364,360,086</u>	9.93%	<u>234,871,662</u>
Direct Debt - City of Pflugerville	<u>146,573,888</u>	100.00%	<u>146,573,888</u>
Direct and Estimated Overlapping Debt	<u>\$ 2,510,933,974</u>		<u>\$ 381,445,550</u>

Sources:

¹ This information 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. Furthermore, certain entities listed may have issued additional bonds since the date of the report (9/30/17), and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

² Individual taxing bodies and Travis Central Appraisal District.

**City of Pflugerville
 Legal Debt Margin Information
 Last Ten Fiscal Years**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 28,386,617	\$ 37,337,544	\$ 39,360,140	\$ 41,720,364	\$ 42,055,385	\$ 42,403,979	\$ 45,190,989	\$ 51,639,427	\$ 58,077,424	\$ 66,036,540
Total net debt applicable to limit	<u>3,646,665</u>	<u>4,415,609</u>	<u>5,169,326</u>	<u>5,644,637</u>	<u>5,610,120</u>	<u>5,886,306</u>	<u>6,325,351</u>	<u>6,345,656</u>	<u>6,797,076</u>	<u>9,175,478</u>
Legal debt margin	<u>\$ 24,739,953</u>	<u>\$ 32,921,935</u>	<u>\$ 34,190,814</u>	<u>\$ 36,075,727</u>	<u>\$ 36,445,265</u>	<u>\$ 36,517,673</u>	<u>\$ 38,865,638</u>	<u>\$ 45,293,771</u>	<u>\$ 51,280,348</u>	<u>\$ 56,861,062</u>
Total net debt applicable to the limit as a percentage of debt limit	12.85%	11.83%	13.13%	13.53%	13.34%	13.88%	14.00%	12.29%	11.70%	13.89%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value of taxable property:	\$ 4,402,435,988
Debt limit (\$1.50 per \$100 of assessed valuation)	\$ 66,036,540
2017 Annual debt service applicable to limit:	
General obligation - principal	\$ 3,533,490
General obligation - interest	<u>5,641,988</u>
Legal debt margin	<u>\$ 56,861,062</u>

Note: Article XI, Section 5, of the Texas Constitution limits the City's maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation (for all City purposes). The City's Charter adopts the provisions of the Constitution without further limitation. The Attorney General of the State of Texas administratively imposes a maximum general obligation debt service tax rate of \$1.50 of the \$2.50 maximum ad valorem tax rate.

**City of Pflugerville
Utility Fund Bond Coverage
Water and Wastewater Bonds
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Gross Water and Wastewater Revenues</u>	<u>Operating Expenses¹</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2008	\$ 15,805,791	\$ 9,043,303	\$ 6,762,488	\$ 1,476,065	\$ 3,924,669	\$ 5,400,734	1.25
2009	16,433,947	10,512,444	5,921,503	1,531,495	3,865,753	5,397,248	1.10
2010	15,679,741	8,657,206	7,022,535	1,603,560	3,982,815	5,586,375	1.26
2011	19,037,632	10,276,803	8,760,829	1,764,325	3,923,325	5,687,650	1.54
2012	18,027,068	10,506,317	7,520,751	1,841,430	3,813,461	5,654,891	1.33
2013	18,426,637	11,414,204	7,012,433	1,928,817	3,362,355	5,291,172	1.33
2014	18,079,253	11,444,451	6,634,802	1,991,747	3,298,527	5,290,274	1.25
2015	19,646,817	11,813,587	7,833,230	2,163,205	3,232,137	5,395,342	1.45
2016	21,309,858	13,230,539	8,079,319	2,367,071	3,968,620	6,335,691	1.28
2017	22,196,386	13,802,659	8,393,727	2,736,510	3,667,661	6,404,171	1.31

¹Excludes depreciation expense

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

**City of Pflugerville
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population ¹	School Enrollment ²	Total Personal Income ³	Personal Income Per Capita ⁴	Unemployment Rate ⁵
2008	41,817	19,696	\$ 1,187,728,251	\$ 28,403	3.90
2009	44,415	21,288	1,261,519,245	28,403	5.80
2010	46,936	22,871	1,333,123,208	28,403	5.70
2011	47,874	23,287	1,350,860,658	28,217	5.80
2012	50,081	23,251	1,484,551,083	29,643	5.00
2013	53,250	23,225	1,597,233,750	29,995	4.50
2014	54,843	23,463	1,681,157,322	30,654	3.50
2015	55,455	23,853	1,692,153,870	30,514	2.80
2016	57,148	23,819	1,854,795,488	32,456	3.20
2017	61,200	24,562	2,041,387,200	33,356	3.70

¹ City of Pflugerville Planning Department.

² Pflugerville Independent School District.

³ Total Personal Income calculated from Personal Income per capita and Population.

⁴ 2008-2010 Personal Income per capita from the 2005-2009 U.S. Census Bureau Demographic Profile.

2011 Personal Income per capita from the 2006-2010 U.S. Census Bureau Demographic Profile.

2012 Personal Income per capita from the 2007-2011 U.S. Census Bureau Demographic Profile.

2013 Personal Income per capita from the 2008-2012 U.S. Census Bureau Demographic Profile.

2014 Personal Income per capita from the 2009-2013 U.S. Census Bureau Demographic Profile.

2015 Personal Income per capita from the 2010-2014 U.S. Census Bureau Demographic Profile.

2016 Personal Income per capita from the 2011-2015 U.S. Census Bureau Demographic Profile.

2017 Personal Income per capita from the 2012-2016 U.S. Census Bureau Demographic Profile.

⁵ Pflugerville Statistical Area, Cities and small towns above 25,000 population, obtained from the U.S. Department of Labor, Bureau of Labor Statistics.

**City of Pflugerville
Principal Employers
Current Year and Nine Years Ago**

2017			2008	
Employers	Employees	Percentage of Total City Employment	Employers	Employees
Pflugerville ISD	1,402	23.4%	Pflugerville ISD	988
City of Pflugerville	371	6.2%	Wal-Mart	325
Wal-Mart	325	5.4%	City of Pflugerville	252
Mtech	268	4.5%	Austin Foam Plastics	250
HEB Grocery Co.	225	3.8%	HEB Grocery Co.	200
Target	200	3.3%	Home Depot	125
Flextronics	195	3.3%	Integrated Flow Systems	85
Avant Technologies	155	2.6%	Pflugerville Care Center	75
Home Depot	125	2.1%	EVS Metal	72
Fed Ex	120	2.0%	CoCom	70
Total	3,386	57%	Total	2,442

Source:
Pflugerville Community Development Corporation

City of Pflugerville
Water and Wastewater Customers by Type
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Customers</u>				<u>Wastewater Customers</u>			
	<u>Residential</u>	<u>Commercial</u>	<u>Other</u>	<u>Total</u>	<u>Residential</u>	<u>Commercial</u>	<u>Other</u>	<u>Total</u>
2008	10,875	301	117	11,293	12,007	172	41	12,220
2009	11,281	317	133	11,731	12,436	190	44	12,670
2010	11,695	323	136	12,154	12,835	195	46	13,076
2011	12,154	347	139	12,640	13,315	205	47	13,567
2012	12,698	375	140	13,213	13,854	214	47	14,115
2013	13,303	396	145	13,844	14,456	223	49	14,728
2014	14,059	449	143	14,651	15,225	240	49	15,514
2015	15,000	457	150	15,607	16,167	245	50	16,462
2016	15,856	497	162	16,515	17,079	260	54	17,393
2017	16,774	525	181	17,480	18,058	273	60	18,391

Source: Utility Billing Department

City of Pflugerville
Full Time Equivalent Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Administration	24	22.5	21.5	21	23	23.5	23.5	24.5	24.5	28.5
Building Inspection	8	8	8	6	6	6	4	5	5	5
Development Services Admin ¹	-	-	-	-	-	-	5	5	4	3
Engineering	5	6	6	6	7	7	7	11	13	14
Fleet	3	3	3.5	3	3	3	3	3.5	3.5	3.5
Library	12.2	12	12.2	12	11	15	15	18	18	19
Municipal Court	5	5	5	5.5	5.5	6	6	5.5	5.5	5.5
Parks & Recreation										
Full Time	27.5	31.5	31.5	31.5	30	32	31.5	26.5	26.5	27.5
Seasonal	28.25	28.75	28.75	28.75	32	31.38	32	31.25	31.25	31.25
Planning & Development	7.38	7.4	7.5	7	6	7	6.5	6.5	7.5	9.5
Police Services										
Officers	68.5	87.5	92.5	94	96	98.5	100.5	105.5	108.5	110
Civilians	20.5	23.5	24.5	25	24	27.5	30.5	37.5	42	38.5
Animal Welfare Services ²	-	-	-	-	-	-	-	-	-	10
Streets	21	21	21	21	21	21	22	31	29	28
Water	18	18	18.75	19.5	20	21	23	24.5	27.5	27.5
Wastewater	18.5	18.5	18.75	19.5	20	21	24	25.5	26.5	26.5
Total Employees	266.83	292.65	299.45	299.75	304.5	319.88	333.5	360.75	372.25	387.25

¹ New function in FY 2014

² Previously a function of the Police Department

Source: City of Pflugerville Budget

**City of Pflugerville
Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Animal Welfare Services										
Animals Taken Into Shelter	data not available		708	714	955	792	1,098	1,077	892	791
Building Inspection										
Residential Permits	262	386	379	460	524	650	826	974	953	1,048
Commercial Permits	58	45	32	28	31	34	49	38	75	39
Inspections Performed	12,437	13,802	13,552	14,354	17,905	20,165	25,018	29,915	36,670	35,692
Engineering										
Construction Plans Reviewed	75	15	10	8	18	25	36	37	33	35
Construction Inspections	16,954	11,700	9,040	10,080	9,721	15,000	13,024	23,804	26,982	25,300
Fleet										
Vehicle Inspections	113	130	116	145	118	160	117	191	192	229
Library										
Library Visits (000) ¹	159	162	165	172	199	295	444	323	209	220
Items Circulated (000)	215	253	283	294	326	358	400	394	391	380
Municipal Court										
Cases Filed	13,064	16,172	13,988	15,225	16,115	13,605	11,615	11,509	12,642	9,717
Warrants Issued	4,026	5,658	5,926	5,033	3,711	4,414	3,849	5,494	6,242	4,235
Parks & Recreation										
Recreation Center Members ²	3,969	1,657	1,710	1,770	1,309	1,336	1,246	1,309	1,067	1,058
Facilities Reservations	486	525	525	540	633	736	629	798	911	456
Recreation Program Participants	2,714	2,629	2,670	2,596	2,633	2,809	2,555	3,131	3,056	4,138

¹ Physical & virtual library visits

² Families are counted as one member beginning in 2009

Operating Indicators by Function (continued)

Function	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Planning & Development										
Single Family Lots Reviewed	720	230	2,445	822	577	4,005	1,877	2,151	3,000	2,304
Subdivision Plat Applications	58	21	17	15	24	40	51	66	69	50
Zoning Applications	25	16	10	10	4	10	9	14	10	8
Police Services										
Citations Issued	11,352	14,527	12,367	13,563	14,597	12,002	10,284	10,292	11,525	9,269
Arrests										
Felony	252	242	255	295	200	309	286	436	475	538
Misdemeanor	2,613	2,856	2,453	2,164	1,126	663	626	690	3,019	2,525
Calls for Service	44,423	55,032	60,746	67,003	74,391	68,518	62,790	62,360	55,634	48,576
Streets										
Miles of Streets Maintained	178	181	183	195	195	197	206	213	218	221
Water										
New Connections	644	442	424	433	538	631	556	1,009	908	965
Water Main Breaks Repaired	7	4	3	3	8	8	8	9	3	4
Average Daily Usage (MGD)	4.97	5.42	5.29	6.63	5.85	6.02	6.10	6.59	6.84	10.48
Wastewater										
Average Daily Flow (MGD)	3.02	2.94	3.71	3.15	3.11	2.90	3.50	4.05	4.49	4.49
Wastewater Treated (MG)	1,101	1,072	1,351	1,198	1,136	1,060	1,200	1,478	1,638	1,525
Blockages Cleared	73	95	76	67	81	102	110	87	77	66

Sources: Various government departments

**City of Pflugerville
Capital Assets by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fleet										
Fleet Vehicles	143	160	167	163	171	172	181	187	197	222
Library										
Libraries	1	1	1	1	1	1	1	1	1	1
Library (sq ft)	12,500	12,500	12,500	12,500	12,500	28,000	28,000	28,000	28,000	28,000
Books (000)	56	56	60	64	59	61	66	68	68	70
Parks & Recreation										
Parks	27	31	31	32	34	35	36	36	36	36
Park Acreage	495	520	617	674	688	709	733	737	737	737
Swimming Pools	2	3	3	3	3	3	3	3	3	3
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Recreation Center (sq ft)	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Miles of Trails	20	25	27	29	31	31	31	31	31	45
Police Services										
Stations	1	1	1	1	1	1	1	1	1	1
Streets										
Streets (miles)	178	181	183	195	195	197	206	213	218	221
Traffic Signals	7	8	8	9	9	9	10	11	11	13
Water										
Surface Water Treatment Plan Capacity (MGD)	1	1	1	1	1	1	1	1	1	1
Surface Water Reservoir (acre)	15.5	15.5	15.5	15.5	15.5	15.5	20.6	20.6	20.6	20.6
Water lines (miles)	180	180	180	180	180	180	180	180	180	180
Wells in Operation	163	165	168	177	181	200	211	224	238	240
Wells in Operation	3	3	3	3	3	3	3	3	3	3
Wastewater										
Wastewater lines (miles)	140	142	180	184.3	188	191	202	216	226	231
Wastewater Treatment Plants Capacity (MGD)	2	2	2	2	2	2	2	2	2	2
Wastewater Treatment Plants Capacity (MGD)	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6

Sources: Various government departments.