

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

**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	-	-	-	24,156,671
Interfund balances	351,853	(351,853)	-	-
Due from component unit	45,983	-	45,983	-
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	289,773,780	210,991,861	500,765,641	34,241,740
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	23,790,000
Total liabilities	173,588,132	93,006,579	266,594,711	24,653,182
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	-	-	-	5,678,152
Unrestricted	11,094,036	17,056,209	28,150,245	-
Total net position	\$ 123,928,579	\$ 122,131,173	\$ 246,059,752	\$ 9,588,558

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

	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	-	-	-	(5,678,152)
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	\$ 9,728,025	\$ 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>56,161,012</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>\$ 82,777,745</u>	<u>\$ 32,789,468</u>	<u>\$ 493,388</u>	<u>\$ 16,871,569</u>
Component unit				
Pflugerville Community Development Corporation	<u>\$ 2,827,989</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
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers

 Change in net position
 Net position - beginning
 Net position - ending

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

**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
\$ (7,547,990)	\$ -	\$ (7,547,990)	
(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>(39,854,301)</u>	<u>-</u>	<u>(39,854,301)</u>	
-	7,235,274	7,235,274	
-	(4,293)	(4,293)	
<u>-</u>	<u>7,230,981</u>	<u>7,230,981</u>	
(39,854,301)	7,230,981	(32,623,320)	
			\$ <u>(2,827,989)</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	-
1,055,568	51,448	1,107,016	217,799
46,751	3,161	49,912	2,396,521
844,249	(844,249)	-	-
<u>38,481,281</u>	<u>(455,831)</u>	<u>38,025,450</u>	<u>6,767,611</u>
(1,373,020)	6,775,150	5,402,130	3,939,622
125,301,599	115,356,023	240,657,622	5,648,936
<u>\$ 123,928,579</u>	<u>\$ 122,131,173</u>	<u>\$ 246,059,752</u>	<u>\$ 9,588,558</u>

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
844,249	(844,249)	-	-
<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	45,983	-	-	-	45,983
Restricted investments	-	-	3,040,213	26,390,347	29,430,560
Total assets	\$ 20,475,946	\$ 2,134,177	\$ 3,163,576	\$ 36,887,823	\$ 62,661,522
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	783,909	-	119,532	-	903,441
Total deferred inflows of resources	783,909	-	119,532	-	903,441
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	\$ 20,475,946	\$ 2,134,177	\$ 3,163,576	\$ 36,887,823	\$ 62,661,522

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

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) and fines (\$540,560) are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		<u>903,441</u>
Net position of governmental activities	\$	<u>123,928,579</u>

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.		<u>10,467,875</u>
Net position of governmental activities	\$	<u>133,493,013</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 and fines 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.	<u>(60,827)</u>
Change in net position of governmental activities	<u>\$ (1,373,020)</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.	<u>(1,561,393)</u>
Change in net position of governmental activities	<u>\$ (2,873,586)</u>

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

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

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.

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:

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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 10: COMMITMENTS AND CONTINGENCIES (continued)

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>

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.

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
	\$ <u>2,779,207</u>	\$ <u>5,161,792</u>	\$ <u>4,754,937</u>	\$ <u>12,695,936</u>

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. For 2021 and thereafter, PCDC will be responsible for funding all of its obligations as reflected in the table above.

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.

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 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.

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.

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.

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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.

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.



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.

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 **xxxx**, 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
xxxx, 2018

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