

CITY OF PFLUGERVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

September 30, 2013

Prepared by

Finance Department



**City of Pflugerville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2013**

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**City of Pflugerville, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2013**

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INTRODUCTORY SECTION





March 6, 2014

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, 2013, 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, 2013.

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.

Davis, Kinard & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Pflugerville's financial statements for the year ended September 30, 2013. 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. This location places the City of Pflugerville within three hours driving time of ninety percent of the population of the State of Texas.

The population of Pflugerville has increased from 16,335 citizens in 2000 to just over 50,000 citizens in 2013. Population growth is expected to continue but at a slower pace. 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.

Profile of the government (continued)

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

The City of Pflugerville provides a range of services: police protection; the construction and maintenance of streets and other infrastructure; recreational and cultural activities; water and wastewater service; and contractual solid waste service. Economic development activities are provided through a legally separate corporation, Pflugerville Community Development Corporation, reported separately within the City of Pflugerville's financial statements. Additional information on this legally separate entity 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 and has developed into a bedroom community. Its 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 had to rely heavily on residential property tax for general fund operating and debt service expenditures.

Through residential growth and annexation, the population has increased enough to support more businesses within the City limits. The Pflugerville Community Development Corporation (PCDC) is actively recruiting those businesses. The intersection of two major toll roadways, State Highway 130 and State Highway 45, is completely within the City and has brought significant commercial growth. A large master planned commercial development at this intersection began in 2008 and has continued developing into fiscal year 2013.

Long-term financial planning

At the end of FY 2013, the unassigned fund balance in the general fund was 46.4% 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 general fund pro forma for the next five years includes the reduction of the fund balance to the 25% level. The reduction of this balance will be enhanced with the migration of general fund revenues in excess of budgeted revenue to the City's new general capital reserve fund. This reserve fund is committed for one-time expenditures, separately approved by the City Council.

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 through the next 20 years.

Major initiatives

Utility Expansions. During fiscal year 2013, preparation continues on both the water and wastewater master plans. A utility rate study will be initiated in 2014 to provide guidance on future rates taking into account new customer projections and system needs. A review of the City's Capital Recovery (Impact) Fees will also be completed to ensure adequate funding is received for the increased demand placed on the system by new construction.

General Fund Projects. Construction was completed on the expansion and renovation of the Pflugerville Public Library. This project was financed through General Obligation bonds approved by the voters in 2008. Roads and street infrastructure continued to be an important ongoing improvement in fiscal year 2013, with Colorado Sand Drive and Kelly Lane 1A anticipated to be completed in 2014.

Economic development continues to be a major focus of the efforts that are being made by City staff. Economic development efforts include partnering with developers to build commercial and retail projects, and establishing formal marketing/public relations processes. Commercial outlets in the Stone Hill Town Center development (at the intersection of State Highway 130 and State Highway 45) continue to increase. Additionally, during fiscal year 2013 The Mansions at Stone Hill, a 370-unit luxury townhome and apartment complex was completed adjacent to the Stone Hill Town Center retail development. In May 2014, the newly constructed 23-acre Hawaiian Falls Waterpark will open as the water and adventure park destination of central Texas.

Economic development efforts are also focused on job growth. In addition to the water and adventure park, several corporate headquarters are anticipated to be complete in 2014 including the Community Impact newspaper and Tracking Point, an applied technology company.

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, 2012. 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.

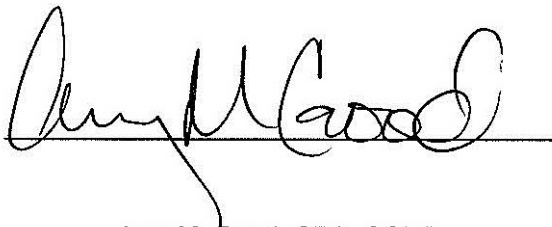
In addition, the City also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for its summary financial document for the fiscal year ended September 30, 2012. In order to apply for the PAFR, the government must first have received the Certificate Achievement 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, 2012. In order 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. Special acknowledgement goes to Lauren Vander Laan for her assistance in preparing this report. Additionally, we would like to express our appreciation to the staff at Davis Kinard & Co. 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,

A handwritten signature in black ink, appearing to read "Amy M. Good", written over a horizontal line. The signature is fluid and cursive.

Amy M. Good, CPA, CGFO
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

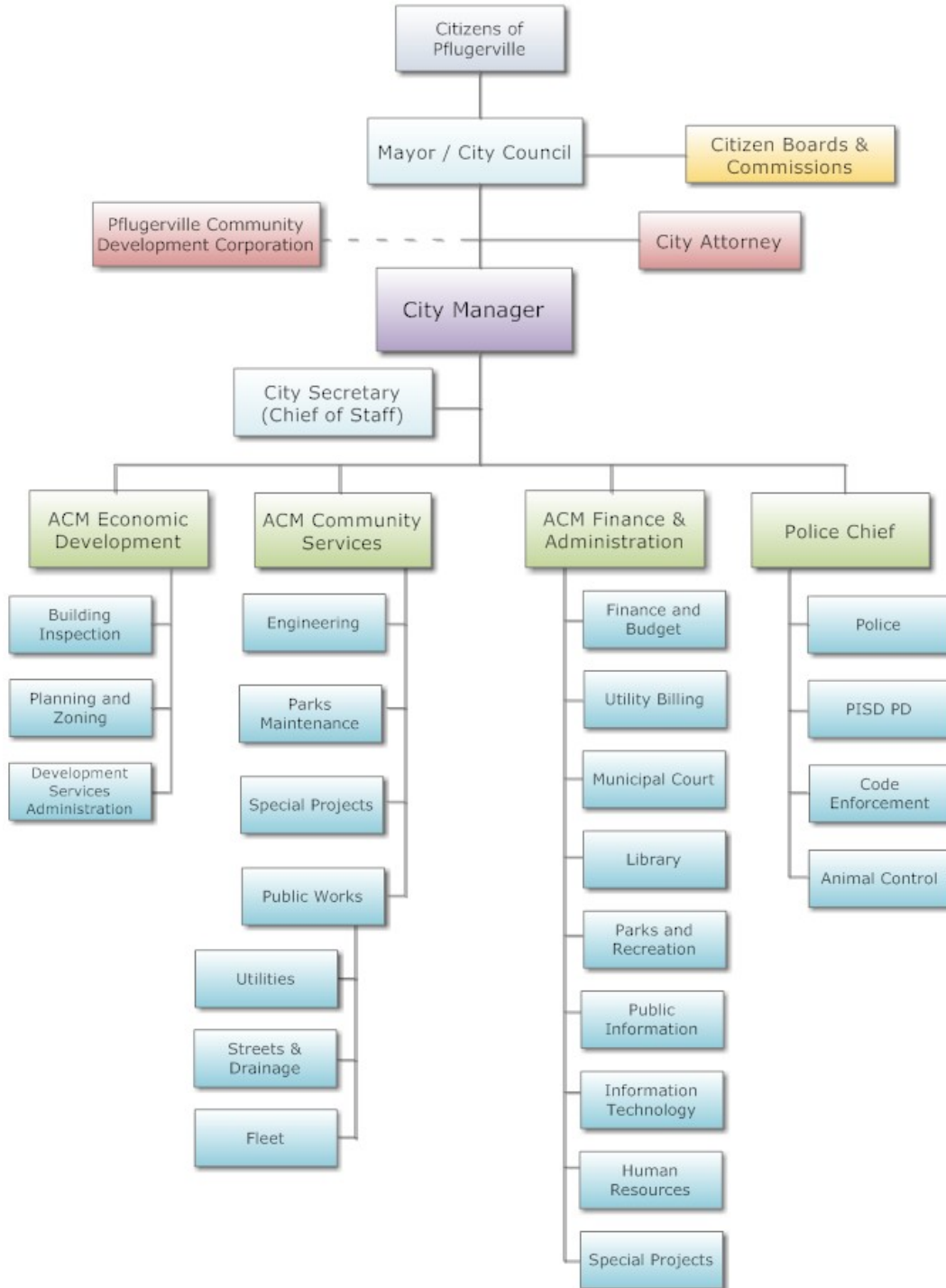
**City of Pflugerville
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

City of Pflugerville, Texas Organizational Chart



City of Pflugerville, Texas
List of Elected and Appointed Officials
as of September 30, 2013

Elected Officials

**City Council
Three-Year Terms**

<u>Name</u>	<u>Term Expires</u>
Jeff Coleman, Mayor	November 2013
Victor Gonzales, Mayor Pro Tem, Place 5	November 2015
Wayne Cooper, Place 1	November 2013
Brad Marshall, Place 2	November 2014
Omar Peña, Place 3	November 2015
Starlet Sattler, Place 4	November 2014

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	Chuck Hooker
City Secretary	Karen Thompson
Public Information Officer	Terri Waggoner



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, each major fund, and the aggregate remaining fund information of City of Pflugerville, Texas (the City) as of and for the year ended September 30, 2013, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, 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 15-23 and 64 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 February 27, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
February 27, 2014

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, 2013. 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, 2013, by \$229,473,245 (net position). Of this amount, \$26,060,752 (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 \$23,511,399 an increase of \$44,969 in comparison with the prior year. The major factor in the increase of fund balance is the higher than anticipated revenues.
- ❖ At the end of the 2012-2013 fiscal year, unassigned fund balance for the general fund was \$9,512,772 or 46.4% 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 2013 that amount was \$5.13 million.
- ❖ The City of Pflugerville's total debt increased by \$2,195,000 (1.5%) during the current fiscal year. The largest portion of this increase was the issuance of \$4,600,000 of combination tax and revenue certificates of obligation and \$2,000,000 of general obligation bonds for infrastructure projects and the Library expansion, respectively.

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 General Capital Reserve fund is a subset of the general fund that is not subject to the annual budget process, with spending authorized separately by the City Council. Pages 66-67 include combining schedules for these funds.

The basic governmental fund financial statements can be found on pages 30-34 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 39-62.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the City of Pflugerville. Required supplementary information such as progress in funding the City obligation to provide pension benefits to its employees can be found on page 64. As previously mentioned, combining schedules for the general fund can be found on pages 66-67.

Financial Analysis of the City as a Whole

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

City of Pflugerville - Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 28,414,910	\$ 29,379,540	\$ 28,506,685	\$ 27,525,001	\$ 56,921,595	\$ 56,904,541
Capital assets	193,575,301	198,552,231	143,312,262	142,053,168	336,887,563	340,605,399
Total assets	221,990,211	227,931,771	171,818,947	169,578,169	393,809,158	397,509,940
Deferred Outflows	2,193,772	-	4,153,333	-	6,347,105	-
Long-term liabilities	83,198,857	76,739,281	80,115,461	77,999,625	163,314,318	154,738,906
Other liabilities	4,691,749	4,095,734	2,676,951	2,463,912	7,368,700	6,559,646
Total liabilities	87,890,606	80,835,015	82,792,412	80,463,537	170,683,018	161,298,552
Net position:						
Net investment in capital assets	121,820,073	132,427,872	73,041,535	69,870,338	194,861,608	202,298,210
Restricted	2,460,256	2,414,134	6,090,629	6,569,103	8,550,885	8,983,237
Unrestricted	12,013,048	12,254,750	14,047,704	12,675,191	26,060,752	24,929,941
Total net position	\$ 136,293,377	\$ 147,096,756	\$ 93,179,868	\$ 89,114,632	\$ 229,473,245	\$ 236,211,388

Statement of Net Position: (continued)

- ❖ A portion of the City's net position, \$8,550,885 (3.7%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$26,060,752, may be used to meet the City's ongoing obligations to citizens and creditors.
- ❖ Long-term liabilities in both the governmental and proprietary funds increased. In the governmental funds the increase was primarily due to the issuance of debt for infrastructure and the Library renovation and expansion. In the utility fund, the increase was caused by implementation of GASB 65; which requires the deferred charge on refunding to now be reported in the new deferred outflows of resources section on the statement, as opposed to the prior reporting within the noncurrent liabilities. More information about this GASB pronouncement is located in Note 12.
- ❖ Net position in the proprietary fund increased due to the growth in revenue attributed to wastewater charges for services and capital contributions received from developers.
- ❖ 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, 2013.

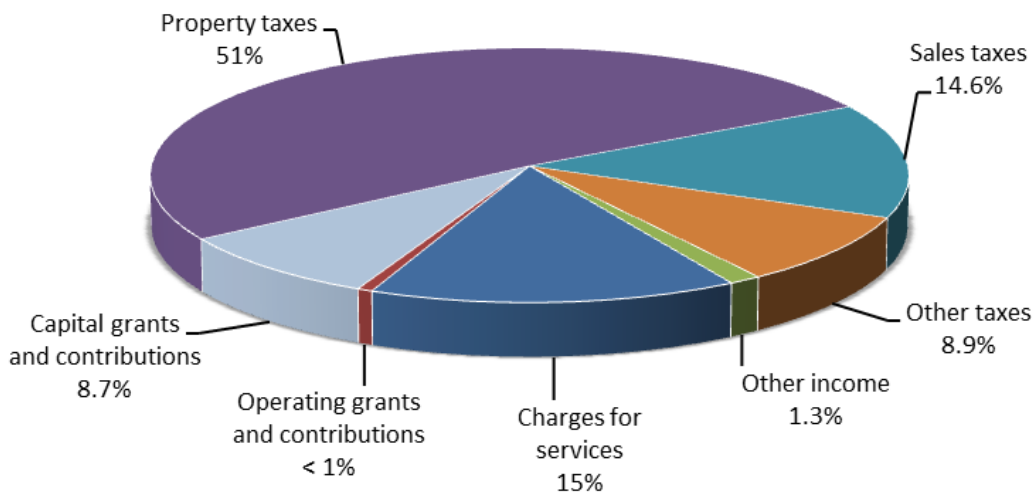
City of Pflugerville - Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,878,129	\$ 4,655,119	\$ 22,034,904	\$ 21,573,193	\$ 26,913,033	\$ 26,228,312
Operating grants and contributions	201,703	244,309	-	-	201,703	244,309
Capital grants and contributions	2,882,463	3,474,907	5,834,166	3,006,529	8,716,629	6,481,436
General revenues:						
Property taxes	17,040,128	17,005,330	-	-	17,040,128	17,005,330
Other taxes	7,781,865	7,373,629	-	-	7,781,865	7,373,629
Other	426,906	544,631	168,378	84,723	595,284	629,354
Total revenues	33,211,194	33,297,925	28,037,448	24,664,445	61,248,642	57,962,370
Expenses:						
General government	5,315,453	7,014,943	-	-	5,315,453	7,014,943
Public safety	11,638,893	11,061,484	-	-	11,638,893	11,061,484
Public works and streets	13,556,760	13,533,601	-	-	13,556,760	13,533,601
Culture and recreation	4,374,963	3,873,516	-	-	4,374,963	3,873,516
Interest on long-term debt	3,634,196	3,342,842	-	-	3,634,196	3,342,842
Water and wastewater			18,539,939	17,009,996	18,539,939	17,009,996
Solid waste			3,766,573	3,622,799	3,766,573	3,622,799
Total Expenses	38,520,265	38,826,386	22,306,512	20,632,795	60,826,777	59,459,181
Change in net position before transfers	(5,309,071)	(5,528,461)	5,730,936	4,031,650	421,865	(1,496,811)
Transfers	(771,523)	750,000	771,523	(750,000)	-	-
Change in net position	(6,080,594)	(4,778,461)	6,502,459	3,281,650	421,865	(1,496,811)
Net position - October 1, 2012 (as restated)	142,373,971	151,875,217	86,677,409	85,832,982	229,051,380	237,708,199
Net position - September 30, 2013	\$ 136,293,377	\$ 147,096,756	\$ 93,179,868	\$ 89,114,632	\$ 229,473,245	\$ 236,211,388

Revenues

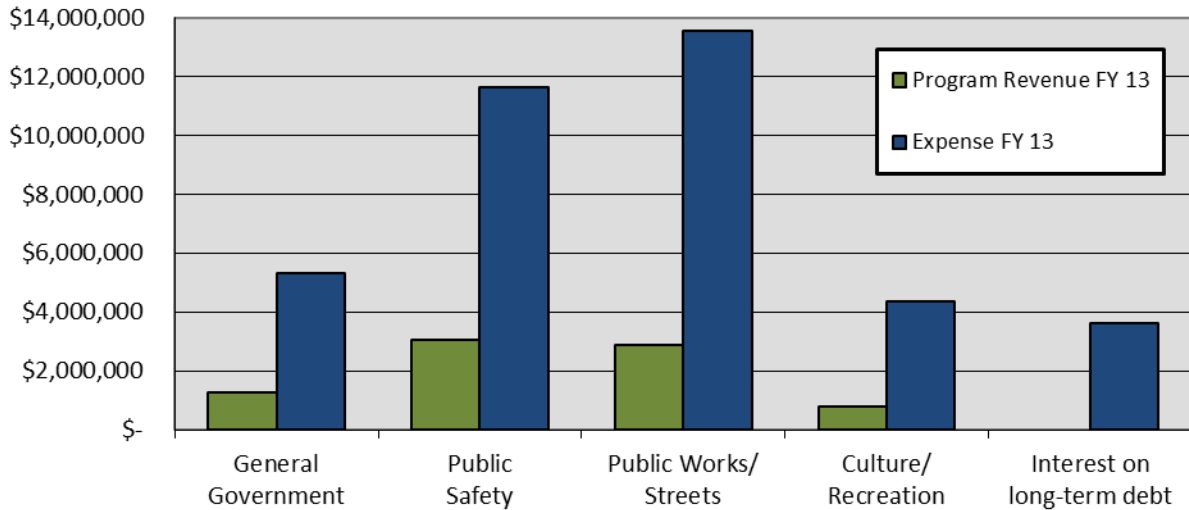
- ❖ Property tax revenue including penalties and interest increased less than 1% (\$34,798) during this fiscal year. This is due to the reduction of the tax rate and new commercial development in the City limits.
- ❖ Property tax revenue accounts for 51.3% of total revenues for governmental activities.
- ❖ Assessed valuations increased for the fiscal year by over \$21 million.
- ❖ The ad valorem tax rate for fiscal 2013 was \$0.5940 per \$100 of assessed valuation. This was a decrease of \$0.005 or a little less than 1% of the prior year rate.
- ❖ Sales tax revenue was \$4.8 million for fiscal year 2013, an increase of 9.4% over the prior year. Sales tax revenue constitutes nearly 15% of the total revenue for governmental activities.
- ❖ Other taxes, which include franchise taxes and mixed beverage taxes, totaled nearly \$3 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 \$7.96 million. Charges for services such as receipts primarily from development and building inspection fees, parks and pool fees, and court fines are the largest components of this revenue category. A portion, \$2.9 million, of revenue this fiscal year was infrastructure contributed by developers and others.
 - **Business-type activities program revenue** totaled \$27.9 million. A portion of these revenues is 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 \$5.8 million of revenue during fiscal year 2013.

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 \$12,175,540. Removing depreciation expense, the operating expenditures for governmental activities decreased by 3% in fiscal year 2013. The primary reason for this reduction is the decrease in spending in the general capital reserve fund over the prior year.



Business-type activities. Business-type activities increased the City of Pflugerville’s net position by \$6.5 million. Charges for services for business-type activities increased 2.1% during fiscal year 2013. This small increase can be attributed to increased water usage during a continued dry fall of calendar year 2012. The increase in water demand consequently increased the 2013 expenses used to produce 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 \$23,511,399, an increase of \$44,969 in comparison with the fiscal year beginning fund balance. Approximately 40.5% of this total amount (\$9.5 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 (\$8,367,504); debt service (\$2,567,899); and specific programs in the special revenue fund (\$463,025). In

Financial Analysis of the City's Funds (continued)

addition, funds have been committed, by the City Council, to pay for general capital reserve projects (\$2,431,872) and specific programs in the special revenue fund (\$163,644). Funds have been assigned, by management, for special revenue programs (\$4,683).

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 \$9,512,772. 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 43.5% 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 first spending from these funds occurred in fiscal year 2012; the Combining Schedules for the general and general capital reserve funds provide additional details and can be found on pages 66-67.

The fund balance of the City of Pflugerville's general fund increased by \$1,391,398 during fiscal year 2013. Sales tax revenue increased 9.4% during fiscal 2013 to \$4.8 million as new retail continues to develop within the city. Development revenue from building permits, plat review fees, site development plans, and construction inspection increased 33.5% from fiscal 2012. This increase is due, in part, to several subdivisions beginning new phases of construction, an increase in residential permits, and continued commercial growth.

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure 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; and fees for police services provided to the Pflugerville Independent School District. 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 and school crossing guard services.

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, 2013, this fund had a total balance of \$2,567,899. The increase in this fund balance was due to additional revenue collected on delinquent accounts.

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 the use of prior year bond funds to pay for construction related to projects such as: the on-going expansion and renovation at the City's Library, Pflug Farm Lane and Colorado Sand Boulevard.

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 \$14,047,704. The total growth in net position was \$6,502,459. This increase in net position was composed primarily of capital contributions (water and wastewater infrastructure donations) from developers and the Pflugerville Community Development Corporation (PCDC), a component unit of the City.

General Fund Budgetary Highlights

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

The City approved four sets of general fund budget amendments during fiscal year 2013. These amendments increased the overall budgeted expenditures by \$175,915 from the original budget, an increase of less than 1%. This increase was offset by revenues received in excess of the original budget, including: development fees and grants and contributions.

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, 2013, amounts to \$336,887,563, 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.

- ❖ Construction to expand and renovate the Pflugerville Community Library was completed and the new 28,000 square foot building opened to the public.
- ❖ The construction of Colorado Sand Boulevard and associated water and wastewater lines began.
- ❖ Design and ROW acquisition continued for the Kelly Lane and Heatherwilde Boulevard projects.
- ❖ Construction began on Pfluger Farm Lane and associated water lines.
- ❖ Design continued on the Kelly Lane water transmission line.

City of Pflugerville's Capital Assets

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,679,754	\$ 6,651,772	\$ 6,738,869	\$ 6,738,869	\$ 13,418,623	\$ 13,390,641
Service Rights	-	-	250,000	-	250,000	-
Buildings and improvements	41,437,905	38,934,766	9,572,363	10,013,504	51,010,268	48,948,270
Machinery and equipment	3,951,411	3,093,646	955,771	881,383	4,907,182	3,975,029
Infrastructure	136,663,002	141,563,232	122,688,370	122,403,110	259,351,372	263,966,342
Construction in progress	4,843,229	8,308,815	3,106,889	2,016,302	7,950,118	10,325,117
Total	\$ 193,575,301	\$ 198,552,231	\$ 143,312,262	\$ 142,053,168	\$ 336,887,563	\$ 340,605,399

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. Utility 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, 2013, the City had total bonded debt outstanding of \$153,275,000. Of this amount, \$7,205,000 represents General Obligation debt approved by a vote of the citizens. The remainder of the City of Pflugerville's debt represents bonds secured by the full faith and credit of the government.

City of Pflugerville's Outstanding Debt at Year-End

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 7,205,000	\$ 5,780,000	\$ -	\$ -	\$ 7,205,000	\$ 5,780,000
Revenue bonds	-	-	-	-	-	-
Limited tax refunding bonds	25,819,704	26,556,000	53,955,296	54,549,000	79,775,000	81,105,000
Certificates of obligation	46,964,960	43,535,385	19,330,040	20,659,615	66,295,000	64,195,000
Total	\$ 79,989,664	\$ 75,871,385	\$ 73,285,336	\$ 75,208,615	\$ 153,275,000	\$ 151,080,000

Capital Asset and Debt Administration (continued)

The City of Pflugerville's total debt outstanding increased by \$2,195,000 (1.5%) during the current fiscal year. The key factor in this increase was the issuance of \$4,600,000 of combination tax and revenue certificates of obligation and \$2,000,000 of general obligation bonds for infrastructure projects and the Library expansion, respectively.

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 2013 debt levy equaled \$0.1994 per \$100 assessed valuation, or 13.3% 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 slow growth. The developer of the Stone Hill Town Center, NewQuest Properties, continues construction on this mixed-use development at the intersection of State Highway 130 and State Highway 45. During fiscal year 2013 several retail stores and small commercial establishments opened. Construction was completed on a new 370-unit luxury townhome and apartment complex within the development. Also in 2013, the Texas Department of Public Safety (DPS) opened the Austin-Pflugerville Driver's License Mega Center, one of only six state-wide.

The Pflugerville Community Development Corporation (PCDC) continues to make concerted marketing efforts to attract more commercial development in the city, especially in the areas fronting SH 130 and SH 45. New businesses are moving into the 130 Commerce Center, with D-Bat Baseball & Softball Academy, Community Impact Newspaper (headquarters) and Tracking Point gun manufacture (headquarters) slated to open by the end of calendar year 2013. Another recent PCDC project includes a Hawaiian Falls water and adventure park, set to open in summer of 2014. All of these factors were considered in preparing the City of Pflugerville's budget for the 2014 fiscal year.

The City has increased its water and wastewater capacities to serve the areas in the State Highway 130 growth corridor. During FY 2013 water customers grew by 4.8% and wastewater customers grew by 4.3%, although there was no increase in rates. Master plans for both water and wastewater will be completed in early fiscal year 2014. These plans will provide a basis for the comprehensive rate study, scheduled for completion in 2014. There is no adjustment of water or wastewater rates anticipated in fiscal year 2014.

The fiscal year 2014 budget will be balanced without requiring a transfer from fund balance. The budgeting process focused on lean government operations. The prevailing economic environment significantly affected the planned expenditures and anticipated revenues during the coming year.

Contacting the City's Financial Management

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

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

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



BASIC FINANCIAL STATEMENTS



**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pflugerville Community Development Corporation
ASSETS				
Cash and investments	\$ 14,857,516	\$ 12,698,848	\$ 27,556,364	\$ 195,371
Receivables (net of allowance)	2,087,729	2,869,374	4,957,103	450,105
Interfund balances	138,976	(138,976)	-	-
Due from component unit	25,568	-	25,568	-
Restricted assets:				
Restricted cash and investments	11,305,121	13,077,439	24,382,560	-
Capital assets, not being depreciated:				
Land	6,679,754	6,738,869	13,418,623	9,444,441
Service rights	-	250,000	250,000	-
Construction in progress	4,843,229	3,106,889	7,950,118	525,570
Capital assets, net of depreciation:				
Buildings and improvements	41,437,905	9,572,363	51,010,268	500
Machinery and equipment	3,951,411	955,771	4,907,182	10,773
Infrastructure and system	136,663,002	122,688,370	259,351,372	-
Total assets	221,990,211	171,818,947	393,809,158	10,626,760
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,193,772	4,153,333	6,347,105	-
Total deferred outflows of resources	2,193,772	4,153,333	6,347,105	-
LIABILITIES				
Accounts payable	1,348,269	1,575,284	2,923,553	161,883
Due to primary government	-	-	-	25,568
Wages payable	533,743	70,383	604,126	-
Customer deposits and escrow payable	2,239,069	481,530	2,720,599	-
Accrued interest payable	570,668	549,754	1,120,422	8,258
Noncurrent liabilities:				
Due within one year	2,732,299	1,996,262	4,728,561	7,173,000
Due in more than one year	80,466,558	78,119,199	158,585,757	-
Total liabilities	87,890,606	82,792,412	170,683,018	7,368,709
NET POSITION				
Net investment in capital assets	121,820,073	73,041,535	194,861,608	2,808,284
Restricted for capital projects	-	6,090,629	6,090,629	-
Restricted for specific programs	463,025	-	463,025	-
Restricted for debt service	1,997,231	-	1,997,231	-
Restricted for economic development	-	-	-	449,767
Unrestricted	12,013,048	14,047,704	26,060,752	-
Total net position	\$ 136,293,377	\$ 93,179,868	\$ 229,473,245	\$ 3,258,051

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 5,315,453	\$ 1,247,146	\$ -	\$ -
Public safety	11,638,893	2,874,213	183,219	-
Public works and streets	13,556,760	-	-	2,882,463
Culture and recreation	4,374,963	756,770	18,484	-
Interest and fiscal charges	3,634,196	-	-	-
Total governmental activities	<u>38,520,265</u>	<u>4,878,129</u>	<u>201,703</u>	<u>2,882,463</u>
Business-type activities:				
Water and wastewater	18,539,939	18,258,357	-	5,834,166
Solid waste	3,766,573	3,776,547	-	-
Total business-type activities	<u>22,306,512</u>	<u>22,034,904</u>	<u>-</u>	<u>5,834,166</u>
Total primary government	<u>\$ 60,826,777</u>	<u>\$ 26,913,033</u>	<u>\$ 201,703</u>	<u>\$ 8,716,629</u>
Component unit				
Pflugerville Community Development Corporation	\$ <u>6,164,549</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Mixed beverage taxes

Investment income

Other income

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

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
\$ (4,068,307)	\$ -	\$ (4,068,307)	
(8,581,461)	-	(8,581,461)	
(10,674,297)	-	(10,674,297)	
(3,599,709)	-	(3,599,709)	
(3,634,196)	-	(3,634,196)	
<u>(30,557,970)</u>	<u>-</u>	<u>(30,557,970)</u>	
-	5,552,584	5,552,584	
-	9,974	9,974	
<u>-</u>	<u>5,562,558</u>	<u>5,562,558</u>	
(30,557,970)	5,562,558	(24,995,412)	
			\$ <u>(6,164,549)</u>
17,040,128	-	17,040,128	-
4,833,364	-	4,833,364	2,413,109
2,913,034	-	2,913,034	-
35,467	-	35,467	-
32,093	24,151	56,244	4,702
355,728	144,129	499,857	-
39,085	98	39,183	505,414
(771,523)	771,523	-	-
<u>24,477,376</u>	<u>939,901</u>	<u>25,417,277</u>	<u>2,923,225</u>
(6,080,594)	6,502,459	421,865	(3,241,324)
142,373,971	86,677,409	229,051,380	6,499,375
<u>\$ 136,293,377</u>	<u>\$ 93,179,868</u>	<u>\$ 229,473,245</u>	<u>\$ 3,258,051</u>

**CITY OF PFLUGERVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental
ASSETS					
Cash and investments	\$ 12,005,948	\$ 577,876	\$ -	\$ 2,273,693	\$ 14,857,517
Taxes receivable	1,320,707	-	118,140	-	1,438,847
Other receivables	498,711	150,171	-	-	648,882
Due from other funds	164,840	23	28,339	-	193,202
Due from component unit	25,568	-	-	-	25,568
Restricted investments	-	-	2,539,560	8,765,561	11,305,121
Total assets	\$ 14,015,774	\$ 728,070	\$ 2,686,039	\$ 11,039,254	\$ 28,469,137
LIABILITIES					
Accounts payable	\$ 892,359	\$ 45,265	\$ -	\$ 410,646	\$ 1,348,270
Wages payable	486,119	47,624	-	-	533,743
Due to other funds	28,362	3,829	-	22,035	54,226
Escrow payable	-	-	-	2,239,069	2,239,069
Total liabilities	1,406,840	96,718	-	2,671,750	4,175,308
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes and fines	664,290	-	118,140	-	782,430
Total deferred inflows of resources	664,290	-	118,140	-	782,430
FUND BALANCES					
Restricted for:					
Debt service	-	-	2,567,899	-	2,567,899
Capital projects	-	-	-	8,367,504	8,367,504
Specific programs	-	463,025	-	-	463,025
Committed for:					
General capital reserve	2,431,872	-	-	-	2,431,872
Specific programs	-	163,644	-	-	163,644
Assigned for:					
Specific programs	-	4,683	-	-	4,683
Unassigned					
	9,512,772	-	-	-	9,512,772
	11,944,644	631,352	2,567,899	8,367,504	23,511,399
Total fund balances	11,944,644	631,352	2,567,899	8,367,504	23,511,399
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,015,774	\$ 728,070	\$ 2,686,039	\$ 11,039,254	\$ 28,469,137

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, 2013**

Fund balances of governmental funds	\$	23,511,399
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.		193,575,301
Bonds payable will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.		(79,989,664)
The net OPEB obligation will not be liquidated with current financial resources and therefore has not been included in the fund financial statements.		(406,150)
Accrued liabilities for compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.		(476,203)
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.		(570,668)
Premiums and discounts on bond issuances are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortize in the government-wide financial statements over the life of the bonds.		(2,326,840)
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.		2,193,772
Receivables from property taxes (\$323,505) and fines (\$422,905) are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		<u>782,430</u>
Net position of governmental activities	\$	<u><u>136,293,377</u></u>

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, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental</u>
REVENUES					
Taxes:					
Property	\$ 11,303,265	\$ -	\$ 5,708,697	\$ -	\$ 17,011,962
Sales	4,833,364	-	-	-	4,833,364
Franchise	2,913,034	-	-	-	2,913,034
Mixed beverage	35,467	-	-	-	35,467
Licenses and permits	1,274,446	57,433	-	-	1,331,879
Intergovernmental	335,262	1,503,379	255,786	166,380	2,260,807
Fines and forfeitures	995,775	135,410	-	-	1,131,185
Investment income	14,583	556	5,966	10,988	32,093
Charges for services	575,168	-	-	-	575,168
Deutschen Pfest income	-	120,981	-	-	120,981
Other income	127,499	11,330	-	-	138,829
Total revenues	<u>22,407,863</u>	<u>1,829,089</u>	<u>5,970,449</u>	<u>177,368</u>	<u>30,384,769</u>
EXPENDITURES					
Current:					
General government	4,878,507	10,294	-	-	4,888,801
Public safety	9,349,599	1,627,587	-	-	10,977,186
Public works and streets	2,725,428	-	-	-	2,725,428
Culture and recreation	3,560,803	73,136	-	-	3,633,939
Debt service:					
Agent fees/issuance costs	-	-	3,958	212,744	216,702
Interest	-	-	3,411,023	-	3,411,023
Principal retirement	-	-	2,475,283	-	2,475,283
Capital outlay	1,335,083	41,726	-	6,577,136	7,953,945
Total expenditures	<u>21,849,420</u>	<u>1,752,743</u>	<u>5,890,264</u>	<u>6,789,880</u>	<u>36,282,307</u>
EXCESS (DEFICIENCY) OF OVER (UNDER) EXPENDITURES	558,443	76,346	80,185	(6,612,512)	(5,897,538)
OTHER FINANCING SOURCES					
Transfers out	(15,097)	(48,349)	-	(1,521,523)	(1,584,969)
Transfers in	798,349	-	-	15,097	813,446
Proceeds from sale of capital assets	39,085	-	-	-	39,085
Premium on issuance of bonds	-	-	-	64,327	64,327
Issuance of bonds	-	-	-	6,600,000	6,600,000
Insurance recoveries	10,618	-	-	-	10,618
Total other financing sources and uses	<u>832,955</u>	<u>(48,349)</u>	<u>-</u>	<u>5,157,901</u>	<u>5,942,507</u>
NET CHANGE IN FUND BALANCES	1,391,398	27,997	80,185	(1,454,611)	44,969
FUND BALANCES, BEGINNING	<u>10,553,246</u>	<u>603,355</u>	<u>2,487,714</u>	<u>9,822,115</u>	<u>23,466,430</u>
FUND BALANCES, ENDING	<u>\$ 11,944,644</u>	<u>\$ 631,352</u>	<u>\$ 2,567,899</u>	<u>\$ 8,367,504</u>	<u>\$ 23,511,399</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, 2013**

Net change in fund balances - total governmental funds	\$	44,969
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.		7,558,316
The City received street infrastructure contributed by developers. Other capital assets were donated to the City as well. These contributions increase net position.		2,716,083
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.		(12,175,540)
The issuance of bonds payable is reported as other financing sources in the fund financial statements but is shown as increases in long-term debt in the government-wide financial statements.		(6,600,000)
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.		2,481,721
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.		(24,555)
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 increase in interest accrual decreases net position.		(19,256)
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.		(64,991)
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.		48,240
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 \$106,219 was recorded. The net effect is to decrease net position.		(106,219)
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.		60,638
Change in net position of governmental activities	\$	<u><u>(6,080,594)</u></u>

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, 2013

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 11,134,831	\$ 11,159,831	\$ 11,303,265	\$ 143,434
Sales	4,452,004	4,452,004	4,833,364	381,360
Franchise	2,993,479	2,993,479	2,913,034	(80,445)
Mixed beverage	25,000	25,000	35,467	10,467
Licenses and permits	747,167	823,167	1,274,446	451,279
Intergovernmental/grants	212,400	309,236	335,262	26,026
Fines and forfeitures	1,075,301	1,075,301	995,775	(79,526)
Interest income	13,500	13,500	14,583	1,083
Charges for services	614,600	540,600	575,168	34,568
Other income	88,320	94,320	127,499	33,179
Total revenues	<u>21,356,602</u>	<u>21,486,438</u>	<u>22,407,863</u>	<u>921,425</u>
EXPENDITURES				
Current:				
General government	5,388,710	5,092,963	4,878,507	214,456
Public safety	9,456,090	9,610,878	9,349,599	261,279
Public works and streets	3,012,885	3,128,854	2,725,428	403,426
Culture and recreation	3,853,050	3,825,282	3,560,803	264,479
Capital outlay	442,428	671,101	791,536	(120,435)
Total expenditures	<u>22,153,163</u>	<u>22,329,078</u>	<u>21,305,873</u>	<u>1,023,205</u>
EXCESS OF REVENUES OVER EXPENDITURES	(796,561)	(842,640)	1,101,990	1,944,630
OTHER FINANCING SOURCES (USES)				
Transfers out to General Capital Reserve	-	-	(1,398,683)	(1,398,683)
Transfers in	873,145	873,145	798,349	(74,796)
Proceeds from sale of capital assets	500	15,477	39,085	23,608
Insurance recoveries	-	5,773	10,618	4,845
Total other financing sources and uses	<u>873,645</u>	<u>894,395</u>	<u>(550,631)</u>	<u>(1,445,026)</u>
NET CHANGE IN FUND BALANCES	77,084	51,755	551,359	499,604
FUND BALANCE, BEGINNING	<u>8,961,413</u>	<u>8,961,413</u>	<u>8,961,413</u>	<u>-</u>
FUND BALANCE, ENDING, Budgetary Basis	<u>\$ 9,038,497</u>	<u>\$ 9,013,168</u>	<u>\$ 9,512,772</u>	<u>\$ 499,604</u>

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

**CITY OF PFLUGERVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Enterprise Fund <u>Utility</u>
ASSETS	
Current assets:	
Cash and investments	\$ 12,698,848
Restricted cash and investments	593,846
Accounts receivable, net	<u>2,869,374</u>
Total current assets	16,162,068
Non-current assets:	
Restricted cash and investments:	
Revenue bond covenant accounts	6,473,322
Impact fees	6,010,271
Capital assets:	
Land	6,738,869
Service rights	250,000
Buildings and improvements	13,244,221
Equipment	3,576,038
Infrastructure and system	160,402,479
Construction in progress	3,106,889
Less accumulated depreciation	<u>(44,006,234)</u>
Total capital assets, net of accumulated depreciation	<u>143,312,262</u>
Total non-current assets	<u>155,795,855</u>
Total assets	171,957,923
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,153,333
Total deferred outflows of resources	<u>4,153,333</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,575,284
Wages payable	70,383
Due to other funds	138,976
Compensated absences payable	8,320
Customer deposits	481,530
Accrued interest payable	549,754
Tax and revenue bonds payable - current	<u>1,987,942</u>
Total current liabilities	4,812,189
Non-current liabilities:	
Tax and revenue bonds payable	78,020,669
Compensated absences payable	33,281
Net OPEB obligation	<u>65,249</u>
Total non-current liabilities	<u>78,119,199</u>
Total liabilities	82,931,388
NET POSITION	
Net investment in capital assets	73,041,535
Restricted for capital projects	6,090,629
Unrestricted	<u>14,047,704</u>
Total net position	<u>\$ 93,179,868</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, 2013**

	Enterprise Fund Utility
OPERATING REVENUES	
Charges for sales and services:	
Water sales	\$ 12,122,244
Wastewater sales	6,136,113
Solid waste sales	3,776,547
Other income	144,129
Total operating revenues	22,179,033
OPERATING EXPENSES	
Utility administration	3,538,711
Water operations	6,055,370
Wastewater operations	1,820,123
Solid waste operations	3,766,573
Depreciation and amortization	3,883,649
Total operating expenses	19,064,426
OPERATING INCOME	3,114,607
NONOPERATING REVENUES (EXPENSES)	
Investment income	24,151
Interest expense and fees	(3,242,086)
Gain (loss) on sale of capital assets	98
Total nonoperating revenues (expenses)	(3,217,837)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(103,230)
Capital contributions	5,834,166
Transfers in	1,521,523
Transfers out	(750,000)
CHANGE IN NET POSITION	6,502,459
TOTAL NET POSITION, BEGINNING, AS RESTATED	86,677,409
TOTAL NET POSITION, ENDING	\$ 93,179,868

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, 2013**

	Enterprise Fund <u>Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 22,451,684
Payments to or on behalf of employees	(2,058,893)
Payments to suppliers	(12,867,094)
Net cash provided by operating activities	<u>7,525,697</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to other funds	(918,205)
Payments from other funds	1,521,523
Net cash provided by noncapital financing activities	<u>603,318</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	2,376,808
Acquisition of capital assets	(2,768,853)
Principal paid on bonds	(1,923,279)
Interest paid on bonds	(3,370,904)
Gain (loss) on sale of capital assets	98
Net cash used by capital and related financing activities	<u>(5,686,130)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in short-term investments	(2,660,307)
Interest received	24,151
Net cash used by investing activities	<u>(2,636,156)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(193,271)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>597,773</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 404,502</u>
RECONCILIATION TO STATEMENT OF NET ASSETS	
Cash and cash equivalents	\$ 404,502
Investments	25,371,785
Total cash and investments	<u>\$ 25,776,287</u>
REPORTED AS:	
Cash and investments	\$ 12,698,848
Restricted cash and investments	13,077,439
Total cash and investments	<u>\$ 25,776,287</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, 2013**

		Enterprise Fund Utility
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$	3,114,607
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		3,883,649
Decrease in accounts receivable		299,802
Increase in accounts payable		238,609
(Decrease) in customer deposits		(27,150)
Increase in accrued liabilities		16,180
Net cash provided by operating activities	\$	7,525,697
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Infrastructure contributed by developers	\$	3,457,358

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, 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, and TIRZ #1.

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 are reported at fair value, and the changes in the fair value of investments are recognized as investment revenue.

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

Certain resources have been set aside for the repayment of proprietary fund type revenue bonds. The assets and related payables are classified as restricted because their use is limited by applicable bond covenants. Also included in restricted assets are capital recovery fees (impact fees) that are, by law, restricted for future capital improvements; and assets set aside for construction of future debt funded 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 only has one item that qualifies for reporting in this category. It is the deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

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

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.

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. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 2013 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.

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

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

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

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, 2013, was \$.594 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, 2013, 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. Debt service fund balance restricted for the retirement of funded indebtedness totaled \$2,567,899 as of September 30, 2013. Fund balance restricted for capital projects totaled \$8,367,504 as of September 30, 2013. Special revenue fund balance restricted for specific programs included seizure funds, child safety fees, LEOSE training funds, municipal court funds, bike rodeo, Blue Santa, National Night Out, and TIRZ #1 and totaled \$165,070, \$85,343, \$8,837, \$178,558, \$1,489, \$10,397, \$2,003 and \$11,328 respectively, as of September 30, 2013.

Committed fund balance is established and modified by a resolution from City Council and can be used only for the specified purposes determined by the Council's resolution. Special revenue fund balance committed for specific programs consisted of fund balance committed to the Deutschen Pfest and totaled \$163,644 as of September 30, 2013. General fund balance of \$2,431,872 was committed to a general capital reserve as of September 30, 2013.

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. Special revenue fund balance assigned included animal shelter, firing range, and CERT and totaled \$2,678, \$(1,472), and \$3,477, respectively, as of September 30, 2013.

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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.

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 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. 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 budget integration is employed as a management control device during the year for the General Fund. 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. Each year, typically in January, the City Council reviews a list of proposed projects which are individually approved or declined for funding from this separate fund.

Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture. 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. 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, 2013, 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, 2013:

	Carrying/ <u>Fair Value</u>	Weighted Average <u>Maturity (Days)</u>
Petty cash	\$ 0	N/A
Deposits with financial institutions	(5)	N/A
Lone Star Investment Pool - liquidity fund	0	53
TexPool	0	60
Total Cash and Investments	<u>\$ (5)</u>	#DIV/0!

The Lone Star Investment Pool Government Overnight Fund (the Funds) state investments at amortized cost, which approximates fair value, to report net assets for purposes of computing share prices. Accordingly, the fair values of the positions in the pools are essentially the same as the value of the shares in each pool.

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 and fifty cents 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. The reported value of the pool is the same as the fair value of the pool shares. 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.

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, 2013, 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	\$ 6,651,772	\$ 27,982	\$ -	\$ 6,679,754
Construction in progress	8,308,815	5,453,147	8,918,733	4,843,229
Total assets not being depreciated	<u>14,960,587</u>	<u>5,481,129</u>	<u>8,918,733</u>	<u>11,522,983</u>
Capital assets, being depreciated:				
Buildings and improvements	58,994,854	5,981,840	-	64,976,694
Machinery and equipment	8,226,262	1,523,718	224,564	9,525,416
Infrastructure	274,357,873	3,130,656	-	277,488,529
Total capital assets being depreciated	<u>341,578,989</u>	<u>10,636,214</u>	<u>224,564</u>	<u>351,990,639</u>
Less accumulated depreciation:				
Buildings and improvements	20,060,088	3,478,701	-	23,538,789
Machinery and equipment	5,132,616	665,953	224,564	5,574,005
Infrastructure	132,794,641	8,030,886	-	140,825,527
Total accumulated depreciation	<u>157,987,345</u>	<u>12,175,540</u>	<u>224,564</u>	<u>169,938,321</u>
Total capital assets being depreciated, net	<u>183,591,644</u>	<u>(1,539,326)</u>	<u>-</u>	<u>182,052,318</u>
Governmental activities capital assets, net	<u>\$ 198,552,231</u>	<u>\$ 3,941,803</u>	<u>\$ 8,918,733</u>	<u>\$ 193,575,301</u>

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 6,738,869	\$ -	\$ -	\$ 6,738,869
Service rights	-	250,000	-	250,000
Construction in progress	<u>2,016,302</u>	<u>2,174,054</u>	<u>1,083,467</u>	<u>3,106,889</u>
Total assets not being depreciated	8,755,171	2,424,054	1,083,467	10,095,758
Capital assets, being depreciated:				
Buildings and improvements	13,244,221	-	-	13,244,221
Machinery and equipment	3,350,680	287,967	62,609	3,576,038
Infrastructure	<u>156,888,290</u>	<u>3,514,189</u>	<u>-</u>	<u>160,402,479</u>
Total capital assets being depreciated	173,483,191	3,802,156	62,609	177,222,738
Less accumulated depreciation:				
Buildings and improvements	3,230,717	441,141	-	3,671,858
Machinery and equipment	2,469,297	213,579	62,609	2,620,267
Infrastructure	<u>34,485,180</u>	<u>3,228,929</u>	<u>-</u>	<u>37,714,109</u>
Total accumulated depreciation	40,185,194	3,883,649	62,609	44,006,234
Total capital assets being depreciated, net	<u>133,297,997</u>	<u>(81,493)</u>	<u>-</u>	<u>133,216,504</u>
Business-type activities capital assets, net	<u>\$ 142,053,168</u>	<u>\$ 2,342,561</u>	<u>\$ 1,083,467</u>	<u>\$ 143,312,262</u>
Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	\$ 10,757,279	\$ -	\$ 1,312,838	\$ 9,444,441
Construction in progress	<u>-</u>	<u>525,570</u>	<u>-</u>	<u>525,570</u>
Total assets not being depreciated	10,757,279	525,570	1,312,838	9,970,011
Capital assets, being depreciated:				
Leasehold improvements	5,000	-	-	5,000
Furniture and equipment	50,347	-	-	50,347
Infrastructure	<u>3,197,551</u>	<u>160,146</u>	<u>3,357,697</u>	<u>-</u>
Total capital assets being depreciated	3,252,898	160,146	3,357,697	55,347
Less accumulated depreciation:				
Leasehold improvements	3,500	1,000	-	4,500
Furniture and equipment	32,708	6,866	-	39,574
Infrastructure	<u>6,662</u>	<u>-</u>	<u>6,662</u>	<u>-</u>
Total accumulated depreciation	42,870	7,866	6,662	44,074
Total capital assets being depreciated, net	<u>3,210,028</u>	<u>152,280</u>	<u>3,351,035</u>	<u>11,273</u>
Discretely presented component unit activities capital assets, net	<u>\$ 13,967,307</u>	<u>\$ 677,850</u>	<u>\$ 4,663,873</u>	<u>\$ 9,981,284</u>

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	\$	277,912
Public safety		604,086
Public works		10,631,742
Culture/recreation		661,800
Total depreciation expense - governmental activities	\$	<u><u>12,175,540</u></u>
Business-type activities		
Water and sewer	\$	3,883,649
Total depreciation expense - business-type activities	\$	<u><u>3,883,649</u></u>

Interfund Receivables/Payables and Transfers

The composition of interfund receivables/payables and transfers in/out as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt service	General	\$ 28,339	Transfer property taxes
Special revenue	General	23	Transfer for payables
General	Utility	138,976	Transfer for franchise fees
General	Special revenue	3,829	Transfer for payables
General	Capital projects	22,035	Transfer for payables

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Utility	\$ 750,000	Management fee
General	Special revenue	48,349	Contribution to General fund
Capital projects	General	15,097	Contribution to Capital projects
Utility	Capital projects	1,521,523	Transfer bond proceeds

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, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 75,871,385	\$ 6,600,000	\$ (2,481,721)	\$ 79,989,664	\$ 2,637,058
Premium on bond issuance	2,634,684	64,326	(126,218)	2,572,792	-
Discount on bonds	(259,604)	-	13,652	(245,952)	-
Compensated absences	451,648	114,885	(90,330)	476,203	95,241
Net OPEB obligation	<u>341,159</u>	<u>64,991</u>	<u>-</u>	<u>406,150</u>	<u>-</u>
Governmental activities long-term liabilities	\$ 79,039,272	\$ 6,844,202	\$ (2,684,617)	\$ 83,198,857	\$ 2,732,299
Business-type activities					
Utility bonds	\$ 75,208,615	\$ -	\$ (1,923,279)	\$ 73,285,336	\$ 1,987,942
Premium on bond issuance	7,102,413	-	(326,450)	6,775,963	-
Discount on bonds	(55,101)	-	2,413	(52,688)	-
Compensated absences	39,476	10,020	(7,895)	41,601	8,320
Net OPEB obligation	<u>55,538</u>	<u>9,711</u>	<u>-</u>	<u>65,249</u>	<u>-</u>
Business-type activities long-term liabilities	\$ 82,350,941	\$ 19,731	\$ (2,255,211)	\$ 80,115,461	\$ 1,996,262
Total long-term debt	<u>\$ 161,390,213</u>	<u>\$ 6,863,933</u>	<u>\$ (4,939,828)</u>	<u>\$ 163,314,318</u>	<u>\$ 4,728,561</u>
Discretely presented component unit					
Notes payable	\$ 8,500,000	\$ -	\$ (1,327,000)	\$ 7,173,000	\$ 7,173,000
	<u>\$ 8,500,000</u>	<u>\$ -</u>	<u>\$ (1,327,000)</u>	<u>\$ 7,173,000</u>	<u>\$ 7,173,000</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 and the OPEB obligation.

General Obligation Debt

The annual requirements to retire general long-term debt, including interest, as of September 30, 2013, are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2014	\$ 2,637,058	\$ 3,428,553	\$ 6,065,611
2015	2,664,870	3,339,420	6,004,290
2016	2,724,999	3,246,198	5,971,197
2017	2,959,715	3,165,085	6,124,800
2018	3,036,772	3,069,767	6,106,539
2019-2023	16,505,153	13,394,783	29,899,936
2024-2028	19,193,757	9,407,308	28,601,065
2029-2033	20,660,065	5,309,820	25,969,885
2034-2035	<u>9,607,275</u>	<u>734,589</u>	<u>10,341,864</u>
Total	<u>\$ 79,989,664</u>	<u>\$ 45,095,523</u>	<u>\$ 125,085,187</u>

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

A summary of tax-supported general obligation debt outstanding at September 30, 2013, follows:

\$13,450,000 Series 1999 General Obligation Bonds, due in annual installments of \$25,000 to \$1,500,000 through August 1, 2014; interest at 4.75% to 6.75%.	\$ 525,000	Street, road, and park improvements, Justice Center
\$713,200 Series 2003 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$14,400 to \$46,200 through August 1, 2014; interest at 3% to 5.5%.	18,200	Radio equipment
\$3,000,000 Series 2004 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$43,677 to \$787,136 through August 1, 2033; interest at 2.5% to 5.25%.	368,200	Drainage projects, street projects, hike and bike trail
\$3,370,800 Series 2005 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$30,740 to \$1,044,100 through August 1, 2035; interest at 4% to 5.25%.	2,968,580	Street improvements
\$4,785,000 Series 2006 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$25,000 to \$2,180,000 through August 1, 2025; interest at 4%.	4,635,000	Street projects
\$10,315,000 Series 2007 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$210,000 to \$1,085,000 through August 1, 2033; interest at 4% to 5%.	9,265,000	Street projects
\$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%.	10,620,000	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 3.0% to 5.3%.	2,760,000	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%.	10,529,980	Infrastructure improvements
\$2,941,470 Series 2009 Limited Tax Refunding Bonds, due in annual installments of \$60,030 to \$608,130 through August 1, 2016 and interest at 2% to 3.125%.	1,199,360	Refunding of prior issues 1996, 1996A, and 1997
\$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%.	1,920,000	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%.	3,960,000	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%.	9,689,600	Partial refunding of prior issues 2001 and 2002

CITY OF PFLUGERVILLE, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

\$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%.	\$ 14,930,743	Partial refunding of prior issues 1999, 2002, 2003, and 2004
\$2,000,000 Series 2013 Limited Tax Bonds, due in annual installments of \$25,000 to \$310,000 through August 1, 2033 and interest at 2 to 4%.	2,000,000	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%.	4,600,000	Street projects
Total general obligation debt	\$ <u><u>79,989,663</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.

Utility Debt

A summary of utility debt outstanding at September 30, 2013, follows:

\$17,116,800 Series 2003 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$345,600 to \$1,108,800 through August 1, 2014; interest at 3% to 5.5%.	\$ 436,800	Supply Project, Kennemar Lane Wastewater Plant, Wastewater System Interconnect
\$26,645,000 Series 2003-A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$50,000 to \$3,085,000 through August 1, 2033; interest at 3% to 5%.	250,000	Colorado River Project, Wastewater System Interconnect
\$12,800,000 Series 2004 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$186,530 to \$3,361,595 through August 1, 2033; interest at 2.5% to 5.25%.	1,571,800	Wastewater Treatment Facility, Colorado River Project (Lake Pflugerville)
\$12,529,200 Series 2005 Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$114,260 to \$3,880,900 through August 1, 2035; interest at 4% to 5.25%.	10,896,420	Purchase of Wastewater companies (Kelly Lane and Wilke Lane)
\$7,738,650 Series 2009A Combination Tax and Revenue Certificates of Obligation, due in annual installments of \$132,600 to \$521,000 through August 1, 2035; interest at 2% to 5%.	\$ 6,175,020	Wastewater infrastructure improvements
\$2,693,530 Series 2009 Limited Tax Refunding Bonds, due in annual installments of \$54,970 to \$556,870 through August 1, 2016; interest at 2% to 3.125%.	1,100,640	Refunding of prior issues - 1993, 1999, and 2000
\$5,680,800 Series 2010 Limited Tax Refunding Bonds, due in annual installments of \$60,000 to \$1,110,000 through August 1, 2032 and interest at 2% to 4%.	5,450,400	Partial refunding of prior issues 2001 and 2002
\$47,443,000 Series 2012 Limited Tax Refunding Bonds, due in annual installments of \$68,400 to \$2,933,600 through August 1, 2034 and interest at 2 to 5%.	47,404,256	Partial refunding of prior issues 2002, 2003, 2003A and 2004
Total utility debt	\$ <u><u>73,285,336</u></u>	

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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.

The annual requirements to retire all Utility Fund bonds, including interest, as of September 30, 2013, are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2014	\$ 1,987,942	\$ 3,293,980	\$ 5,281,922
2015	2,160,130	3,227,689	5,387,819
2016	2,245,001	3,147,535	5,392,536
2017	2,410,285	3,078,734	5,489,019
2018	2,503,228	2,999,011	5,502,239
2019-2023	13,514,847	13,358,182	26,873,029
2024-2028	16,336,243	10,312,109	26,648,352
2029-2033	23,269,935	5,641,404	28,911,339
2034-2035	8,857,725	637,673	9,495,398
Total	\$ 73,285,336	\$ 45,696,317	\$ 118,981,653

Discretely Presented Component Unit Debt

PCDC's note agreements to purchase land are collateralized by the property and sales and use taxes. The notes require interest-only monthly payments at prime plus 25 basis points; however, the rate will not be more than 6.75% or less than 4.75%. The notes for \$4,800,000 and \$3,700,000 are payable in full on January 20, 2014. Both notes were retired subsequent to yearend.

Note 7: RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the City Council within the options available in the state statutes governing TMRS. Plan provisions for the City for Plan years 2012 and 2013 were as follows:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI, repeating

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 7: RETIREMENT PLAN (continued)

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation are as follows:

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 1,621,601	1,621,601	100%	-
2012	1,628,823	1,628,823	100%	-
2013	1,747,770	1,747,770	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 years; closed period	26.2 years; closed period	25.2 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 7: RETIREMENT PLAN (continued)

Funding Status and Funding Progress

The funded status at December 31, 2012 is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2) - (1)		(4)/(5)
12/31/2012	\$ 26,794,914	\$ 35,173,843	76.2%	\$ 8,378,929	\$ 13,193,574	63.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. Audited financial statements of the SDBF may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2013, 2012, and 2011 were \$16,507, \$16,577, and \$18,674, respectively, which equaled the required contributions each year.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

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. As of the date of the latest actuarial valuation, the City has 260 active employees and 14 retirees eligible to participate in the plan.

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

Retirees are eligible for health care until they become Medicare eligible. The retiree pays full Medicare premiums. The City's coverage ceases when the retiree becomes eligible for Medicare coverage.

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, 2013 is as follows:

Annual Required Contribution (ARC)	\$	83,969
Interest on OPEB Obligation		17,852
Adjustment to the ARC		<u>(16,539)</u>
Annual OPEB Cost		85,282
Net estimated employer contributions		<u>(10,579)</u>
Increase (Decrease) in Net OPEB Obligation		74,703
Net OPEB Obligation, beginning of year		<u>396,696</u>
Net OPEB Obligation, end of year	\$	<u><u>471,399</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 percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization) are 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
9/30/2011	\$ 13,862	\$ 86,907	16.0%	\$ 325,942	\$ 86,071	16.1%
9/30/2012	18,976	89,731	21.1%	396,697	88,653	21.4%
9/30/2013	10,579	85,281	12.4%	471,399	83,969	12.6%

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 8: POSTEMPLOYMENT HEALTH CARE BENEFITS (continued)

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, 2012 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	\$ -	\$ 614,779	\$ 614,779	0%	\$ 12,898,447	4.8%
12/31/2012	-	532,642	532,642	0%	13,193,574	4.0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$532,642 at December 31, 2012.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial 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 projected unit credit method then provides for a systematic recognition of the cost of 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>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of payroll
Amortization Period	30 years, open period
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%, net of expenses
Payroll Growth Rate	3%
Projected salary increases	5.5% to 12%
General Inflation Rate	3%
Healthcare Cost Trend Rate	7.5% in 2013 decreasing to an ultimate rate of 4.5% after 9 years
The number of active members is assumed to remain constant in the future	

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.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

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.

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 \$1,738,000 for the Capital Projects Fund and \$878,000 for the Utility Fund.

In November 2009 and October 2013, 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 and 2013 debt was determined to be \$2,750,000 and \$4,600,000, respectively, and was used for infrastructure improvements to land owned by PCDC and street projects related to economic development, respectively. Future payments under the agreements are as follows:

Fiscal Year	2009 issue	2013 issue	Total
2014	\$ 182,683	\$ 193,206	\$ 375,889
2015	185,901	242,206	428,107
2016	183,701	240,206	423,907
2017	186,201	238,206	424,407
2018	183,333	236,206	419,539
2019-2023	921,031	1,136,031	2,057,062
2024-2028	911,016	1,816,331	2,727,347
2029-2033	922,138	2,638,638	3,560,776
2034-2035	365,125	-	365,125
	<u>\$ 4,041,129</u>	<u>\$ 6,741,031</u>	<u>\$ 10,782,160</u>

On September 28, 2011, the City entered into a lease agreement with the Travis County Emergency Services District No. 2 to lease building space. The lease commenced on October 1, 2011 and runs sixty months. The City has the right to extend the lease for five one-year periods. Rent expense for the year ended September 30, 2013 was \$116,045. Future payments due under the agreement are as follows:

Fiscal Year	
2014	\$ 116,045
2015	123,298
2016	123,298
	<u>\$ 362,640</u>

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 10: COMMITMENTS AND CONTINGENCIES (continued)

The PCDC entered into operating leases for office space, commercial space for development projects, and a copier. Operating lease expense for the fiscal year ended September 30, 2013 was \$91,190. Future lease payments under these leases are as follows:

<u>Fiscal Year</u>		
2014	\$	488,160
2015		498,660
2016		498,150
2017		488,000
2018		416,000
2019		10,500
	\$	<u>2,399,470</u>

At September 30, 2013, the PCDC had \$31,748,115 in commitments for various economic development performance agreements, including the \$6,741,031 commitment to the City for debt service related to Pfluger Farm Road.

Note 11: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TMRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The City will fully analyze the impact of this new Statement prior to the effective date for the Statement listed above.

Note 12: PRIOR PERIOD ADJUSTMENTS

The City decided to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013. Prior to implementation, the City capitalized bond and other debt issuance costs in the government wide financial statements when incurred and subsequently amortized the resulting asset over the life of the bonds. The Statement requires that such items now be expensed as incurred, including writing off balances previously capitalized. As a result, net position of the governmental activities and business-type activities was decreased by \$1,646,996 and \$1,353,756, respectively, at September 30, 2012.

The City wrote off \$4,159,256 of capital assets recorded as construction in progress in prior years. One project was designed but during 2013 it was decided that the project would not be completed. Another project incurred economic development expenditures, for which the City anticipated receiving corresponding donated infrastructure, however, during 2013 it was determined that no additional infrastructure would be donated. As a result, net position of governmental and business-type activities was decreased by \$3,075,789 and \$1,083,467, respectively, at September 30, 2012.

CITY OF PFLUGERVILLE, TEXAS

NOTES TO FINANCIAL STATEMENTS

Note 13: SUBSEQUENT EVENTS

In February 2014 the City issued \$5,300,000 of Combination Tax and Limited Revenue Certificates of Obligation, Series 2014 for projects including streets, intersections, drainage, sidewalk and other traffic improvements, including Impact Way.

In December 2013, pursuant to its economic development authority under Chapter 380, the City loaned \$7 million of City funds to the PCDC. The loan was requested by PCDC in order to bridge a funding gap for the construction of a water and adventure park project being undertaken by PCDC (the "Water Park") to be operated by Hawaiian Parks Pflugerville, LLC ("Hawaiian Parks") so that construction could begin on the Water Park on schedule for a summer 2014 opening. PCDC closed a bank loan (the "PCDC Bank Loan") on February 21, 2014 to finance the Water Park, to be drawn down in installments up to \$23.5 million, and has used \$7 million of such loan to repay the City in full. The PCDC Bank Loan accrues interest at a fixed rate of 3.95% with monthly payments of principal and interest amortized over a 25 year period and a balloon maturity in 6 years. The PCDC Bank Loan is payable by PCDC from (i) rent payments to be received by PCDC from Hawaiian Parks as the operator of the Water Park which are to be made in an amount equal to debt service due on the PCDC Bank Loan and (ii) from PCDC's one-half cent Local Sales and Use Tax levied within the City. The City has entered into an agreement under Chapter 380 whereby the City will be obligated to make payments to the lender under the PCDC Bank Loan in the event that PCDC is unable to make payments when due under such loan. The City's obligation to make such payments to the lender under the PCDC Bank Loan is from any source lawfully available to the City other than from funds derived from ad valorem taxes and is subject to annual appropriation by the City.



**REQUIRED
SUPPLEMENTAL INFORMATION**

**CITY OF PFLUGERVILLE, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
LAST TEN FISCAL YEARS**

Fiscal Year (1)	Actuarial Value of Assets	Actuarial Accrued Liability AAL (1)	Funded Ratio	Unfunded Actuarial Accrued Liability UAAL (1)	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 4,824,132	\$ 7,078,470	68.2%	\$ 2,254,338	\$ 6,112,351	36.9%
2005	5,861,227	8,310,373	70.5%	2,449,146	6,652,912	36.8%
2006	7,404,957	10,204,106	72.6%	2,799,149	7,220,118	38.8%
2007	8,990,058	12,215,701	73.6%	3,225,643	7,627,153	42.3%
2008	10,472,962	16,615,888	63.0%	6,142,926	8,763,918	70.1%
2009	12,549,436	19,436,680	64.6%	6,887,244	10,814,036	63.7%
2010	15,166,551	23,008,572	65.9%	7,842,021	12,168,888	64.4%
2011 (2)	17,687,889	25,606,275	69.1%	7,918,386	12,898,447	61.4%
2011 (3)	20,002,082	28,609,034	69.9%	8,606,952	12,898,447	66.7%
2012	23,168,480	31,572,922	73.4%	8,404,442	12,574,897	66.8%
2013	26,794,914	35,173,843	76.2%	8,378,929	13,193,574	63.5%

Source: Texas Municipal Retirement System Annual Report and City payroll reports

(1) Trend data presented is information as of December 31 of the previous year, which is the fiscal year of TMRS.

(2) Actuarial valuation performed under the original fund structure.

(3) Actuarial valuation performed under the new fund structure.

COMBINING SCHEDULES

**CITY OF PFLUGERVILLE, TEXAS
COMBINING BALANCE SCHEDULE
GENERAL FUND - SUBFUNDS
SEPTEMBER 30, 2013**

	<u>General</u>	<u>General Capital Reserve</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 9,426,222	\$ 2,579,726	\$ 12,005,948
Taxes receivable	1,320,707	-	1,320,707
Other receivables	498,711	-	498,711
Due from other funds	164,840	-	164,840
Due from component unit	25,568	-	25,568
Total assets	<u>\$ 11,436,048</u>	<u>\$ 2,579,726</u>	<u>\$ 14,015,774</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 723,917	\$ 168,442	\$ 892,359
Wages payable	486,119	-	486,119
Due to other funds	28,362	-	28,362
Total liabilities	<u>1,238,398</u>	<u>168,442</u>	<u>1,406,840</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	664,290	-	664,290
Total deferred inflows of resources	<u>664,290</u>	<u>-</u>	<u>664,290</u>
FUND BALANCES			
Committed for:			
General capital reserve	-	2,431,872	2,431,872
Unassigned			
	<u>9,512,772</u>	<u>-</u>	<u>9,512,772</u>
Total fund balances	<u>9,512,772</u>	<u>2,431,872</u>	<u>11,944,644</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,415,460</u>	<u>\$ 2,600,314</u>	<u>\$ 14,015,774</u>

**CITY OF PFLUGERVILLE, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GENERAL FUND - SUBFUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General	General Capital Reserve	Totals
REVENUES			
Taxes:			
Property	\$ 11,303,265	\$ -	\$ 11,303,265
Sales	4,833,364	-	4,833,364
Franchise	2,913,034	-	2,913,034
Mixed beverage	35,467	-	35,467
Licenses and permits	1,274,446	-	1,274,446
Intergovernmental	335,262	-	335,262
Fines and forfeitures	995,775	-	995,775
Investment income	14,583	-	14,583
Charges for services	575,168	-	575,168
Other income	127,499	-	127,499
Total revenues	22,407,863	-	22,407,863
EXPENDITURES			
Current:			
General government	4,878,507	-	4,878,507
Public safety	9,349,599	-	9,349,599
Public works and streets	2,725,428	-	2,725,428
Culture and recreation	3,560,803	-	3,560,803
Capital outlay	791,536	543,547	1,335,083
Total expenditures	21,305,873	543,547	21,849,420
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,101,990	(543,547)	558,443
OTHER FINANCING SOURCES (USES)			
Transfers in (out) - intrafund	(1,383,586)	1,383,586	-
Transfers in	798,349	-	798,349
Transfers out	(15,097)	-	(15,097)
Proceeds from sale of capital assets	39,085	-	39,085
Insurance recoveries	10,618	-	10,618
Total other financing sources and uses	(550,631)	1,383,586	832,955
NET CHANGE IN FUND BALANCES	551,359	840,039	1,391,398
FUND BALANCES, BEGINNING	8,961,413	1,591,833	10,553,246
FUND BALANCES, ENDING	\$ 9,512,772	\$ 2,431,872	\$ 11,944,644

