OFFICIAL STATEMENT

Dated: June 14, 2018

Ratings:
S&P: "AA+"
Fitch: "AA+"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE BONDS **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$4,880,000
CITY OF ABILENE, TEXAS
(Taylor and Jones Counties)
GENERAL OBLIGATION BONDS, SERIES 2018

Dated Date: July 1, 2018 **Due: February 15, as shown on page 2**
(Interest accrues from the delivery date.)

PAYMENT TERMS…Interest on the $4,880,000 City of Abilene, Texas, General Obligation Bonds, Series 2018 (the "Bonds") will accrue from the date of initial delivery to the underwriters named below (the "Underwriters") and will be payable February 15 and August 15 of each year commencing February 15, 2019, until maturity or prior redemption. Interest on the definitive Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE…The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapter 1331, as amended, and are direct obligations of the City of Abilene, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Bonds").

PURPOSE… Proceeds from the sale of the Bonds will be used for the public purpose of (i) constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs, (ii) constructing, installing and equipping runways and taxiways and other improvements at the City's airport and (iii) to pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX: 00344N - MATURITY SCHEDULE & 9 Digit CUSIP - SEE SCHEDULE ON PAGE 2

SEPARATE ISSUES… The Bonds are being offered by the City concurrently with the "City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018A" (the "2018A Certificates") and the "City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018B" (the "2018B Certificates" and together with the 2018A Certificates the "Certificates") under a common Official Statement, and such Bonds, 2018A Certificates and 2018B Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY…The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

DELIVERY…It is expected that the Bonds will be available for delivery through the facilities of DTC on July 17, 2018.

SAMCO CAPITAL MARKETS, INC.

RBC CAPITAL MARKETS **FROST BANK**

MATURITY SCHEDULE

CUSIP [1] Prefix: 00344N

$4,880,000 GENERAL OBLIGATION BONDS, SERIES 2018

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]	Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2019	$ 145,000	3.000%	1.440%	00344NSA3	2029	$ 245,000	4.000%	2.910% [2]	00344NSL9
2020	165,000	3.000%	1.690%	00344NSB1	2030	255,000	4.000%	3.010% [2]	00344NSM7
2021	170,000	3.000%	1.860%	00344NSC9	2031	265,000	4.000%	3.100% [2]	00344NSN5
2022	180,000	3.000%	2.000%	00344NSD7	2032	275,000	4.000%	3.210% [2]	00344NSP0
2023	185,000	5.000%	2.130%	00344NSE5	2033	290,000	4.000%	3.310% [2]	00344NSQ8
2024	195,000	5.000%	2.310%	00344NSF2	2034	300,000	4.000%	3.360% [2]	00344NSR6
2025	205,000	5.000%	2.470%	00344NSG0	2035	310,000	4.000%	3.400% [2]	00344NSS4
2026	215,000	5.000%	2.610%	00344NSH8	2036	325,000	4.000%	3.440% [2]	00344NST2
2027	225,000	5.000%	2.700%	00344NSJ4	2037	340,000	5.000%	3.180% [2]	00344NSU9
2028	235,000	4.000%	2.760%	00344NSK1	2038	355,000	5.000%	3.200% [2]	00344NSV7

(Interest to accrue from the date of delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Bonds will be called on the first optional call date, February 15, 2028, at par.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS - Optional Redemption”).

OFFICIAL STATEMENT

Dated: June 14, 2018

Ratings:
S&P: "AA+"
Fitch: "AA+"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the 2018A Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE 2018A CERTIFICATES **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$10,215,000
CITY OF ABILENE, TEXAS
(Taylor and Jones Counties)
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018A

Dated Date: July 1, 2018 **Due: February 15, as shown on page 4**
(Interest accrues from the delivery date.)

PAYMENT TERMS…Interest on the $10,215,000 City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018A (the "2018A Certificates") will accrue from the date of initial delivery to the underwriters named below (the "Underwriters") and will be payable February 15 and August 15 of each year commencing February 15, 2019, until maturity or prior redemption. Interest on the definitive 2018A Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 2018A Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the 2018A Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the 2018A Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the 2018A Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the 2018A Certificates is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE… The 2018A Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Chapter 1502, Texas Government Code, as amended, and constitute direct obligations of the City of Abilene, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the 2018A Certificates (the "2018A Certificate Ordinance") (see "THE OBLIGATIONS- Authority for Issuance of the Certificates").

PURPOSE…Proceeds from the sale of the 2018A Certificates will be used for the public purpose of (i) acquiring, improving, renovating and equipping a building structure consisting of three units, one unit to be used for a law enforcement center for police and 911 communications center, one to be used for municipal courts and water utilities offices, and one to be used for records storage, and related landscaping, parking and infrastructure for the facility; (ii) constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs; and (iii) to pay the costs associated with the issuance of the 2018A Certificates (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX: 00344N - MATURITY SCHEDULE & 9 Digit CUSIP - SEE SCHEDULE ON PAGE 4

SEPARATE ISSUES…The 2018A Certificates are being offered by the City concurrently with the "City of Abilene, Texas, General Obligation Bonds, Series 2018" (the "Bonds") and the "City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018B" (the "2018B Certificates" and together with the 2018A Certificates the "Certificates") under a common Official Statement, and such 2018A Certificates, 2018B Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY…The 2018A Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

DELIVERY…It is expected that the 2018A Certificates will be available for delivery through the facilities of DTC on July 17, 2018.

SAMCO CAPITAL MARKETS, INC.

RBC CAPITAL MARKETS FROST BANK

MATURITY SCHEDULE

CUSIP Prefix: 00344N[1]

$10,215,000 COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018A

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]	Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2020	$ 355,000	3.000%	1.690%	00344NSW5	2030	$ 500,000	4.000%	3.010% [2]	00344NTG9
2021	370,000	3.000%	1.860%	00344NSX3	2031	525,000	4.000%	3.100% [2]	00344NTH7
2022	385,000	3.000%	2.000%	00344NSY1	2032	545,000	4.000%	3.210% [2]	00344NTJ3
2023	395,000	3.000%	2.130%	00344NSZ8	2033	565,000	4.000%	3.310% [2]	00344NTK0
2024	405,000	3.000%	2.310%	00344NTA2	2034	590,000	4.000%	3.360% [2]	00344NTL8
2025	415,000	3.000%	2.470%	00344NTB0	2035	610,000	4.000%	3.400% [2]	00344NTM6
2026	430,000	3.000%	2.610%	00344NTC8	2036	635,000	4.000%	3.440% [2]	00344NTN4
2027	445,000	4.000%	2.700%	00344NTD6	2037	665,000	5.000%	3.180% [2]	00344NTP9
2028	465,000	4.000%	2.760%	00344NTE4	2038	700,000	5.000%	3.200% [2]	00344NTQ7
2029	480,000	4.000%	2.910% [2]	00344NTF1	2039	735,000	5.000%	3.220% [2]	00344NTR5

(Interest to accrue from the date of delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the 2018A Certificates will be called on the first optional call date, February 15, 2028, at par.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem 2018A Certificates having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS - Optional Redemption”).

Ratings:
S&P: "AA+"
Fitch: "AA+"
(See "Other Information - Ratings" herein)

OFFICIAL STATEMENT

Dated: June 14, 2018

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the 2018B Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE 2018B CERTIFICATES **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$1,615,000
CITY OF ABILENE, TEXAS
(Taylor and Jones Counties)
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018B

Dated Date: July 1, 2018 **Due: February 15, as shown on page 6**
(Interest accrues from the delivery date.)

PAYMENT TERMS…Interest on the $1,615,000 City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018B (the "2018B Certificates") will accrue from the date of initial delivery to the underwriters named below (the "Underwriters") and will be payable February 15 and August 15 of each year commencing February 15, 2019, until maturity or prior redemption. Interest on the definitive 2018B Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 2018B Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 2018B Certificates may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the 2018B Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the 2018B Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the 2018B Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the 2018B Certificates is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE… The 2018B Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Chapter 1502, Texas Government Code, as amended, and constitute direct obligations of the City of Abilene, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the 2018B Certificates (the "2018B Certificate Ordinance") (see "THE OBLIGATIONS- Authority for Issuance of the Certificates").

PURPOSE…Proceeds from the sale of the 2018B Certificates will be used (i) for the public purpose of acquiring, constructing, installing and equipping park and recreational improvements in the City, and (iii) to pay the costs associated with the issuance of the 2018B Certificates (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX: 00344N - MATURITY SCHEDULE & 9 Digit CUSIP - SEE SCHEDULE ON PAGE 6

SEPARATE ISSUES…The 2018B Certificates are being offered by the City concurrently with the "City of Abilene, Texas, General Obligation Bonds, Series 2018" (the "Bonds") and the "City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018A" (the "2018A Certificates" and together with the 2018B Certificates, the "Certificates") under a common Official Statement, and such 2018A Certificates, 2018B Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY…The 2018B Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

DELIVERY…It is expected that the 2018B Certificates will be available for delivery through the facilities of DTC on July 17, 2018.

SAMCO CAPITAL MARKETS, INC.

RBC CAPITAL MARKETS **FROST BANK**

MATURITY SCHEDULE

CUSIP Prefix: 00344N[1]

$1,615,000 COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018B

$435,000 SERIAL 2018B CERTIFICATES

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2020	$ 55,000	3.000%	1.690%	00344NTS3
2021	60,000	3.000%	1.860%	00344NTT1
2022	60,000	3.000%	2.000%	00344NTU8
2023	60,000	3.000%	2.130%	00344NTV6
2024	65,000	3.000%	2.310%	00344NTW4
2025	65,000	3.000%	2.470%	00344NTX2
2026	70,000	4.000%	2.610%	00344NTY0

(Interest to accrue from the date of delivery)

$1,180,000 TERM 2018B CERTIFICATES

$145,000 4.000% Term 2018B Certificates Maturing February 15, 2028, Priced to Yield 2.760%, CUSIP[1]: 00344NUA0
$155,000 4.000% Term 2018B Certificates Maturing February 15, 2030, Priced to Yield 3.010%[2], CUSIP[1]: 00344NUC6
$260,000 4.000% Term 2018B Certificates Maturing February 15, 2033, Priced to Yield 3.310%[2] CUSIP[1]: 00344NUF9
$290,000 4.000% Term 2018B Certificates Maturing February 15, 2036, Priced to Yield 3.440%[2], CUSIP[1]: 00344NUJ1
$330,000 4.000% Term 2018B Certificates Maturing February 15, 2039, Priced to Yield 3.500%[2], CUSIP[1]: 00344NUM4
(Interest to accrue from the date of delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the 2018B Certificates will be called on the first optional call date, February 15, 2028, at par.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem 2018B Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION... The 2018B Certificates maturing on February 15 in the years 2028, 2030, 2033, 2036 and 2039 (the "Term 2018B Certificates") are subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption."

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

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

Certain information set forth herein has been obtained from sources other than the City that the City believes to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City, the Underwriters or the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

None of the City, its Financial Advisor, or the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information in this Official Statement regarding the Depository Trust Company New York, New York ("DTC") or its book entry only system, as such information has been provided by DTC.

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

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

TABLE OF CONTENTS

The cover page hereof, this page, and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY.................................... The City of Abilene (the "City") is a political subdivision and municipal corporation of the State located in Taylor and Jones Counties. The City covers approximately 109.92 square miles. The 2010 U.S. Census population was 117,063, while the estimated 2018 population is 122,225 (see "INTRODUCTION - Description of the City" and "Appendix A – General Information Regarding the City").

THE OBLIGATIONS....................... The Obligations are issued as $4,880,000 General Obligation Bonds, Series 2018 (the "Bonds"), $10,215,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018A (the "2018A Certificates") and $1,615,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018B (the "2018B Certificates" and together with the 2018A Certificates, the "Certificates"). The Bonds and the Certificates are referred to collectively herein as the "Obligations". The Bonds mature on February 15 in the years 2019 through 2038. The 2018A Certificates mature on February 15 in the years 2020 through 2039. The 2018B Certificates mature on February 15 in the years 2020 through 2026 and in part as term certificates maturing on February 15 in the years 2028, 2030, 2033, 2036 and 2039 (see "THE OBLIGATIONS - Description of the Obligations"). The Obligations are being offered concurrently under a common Official Statement.

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the date of delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and is payable initially on February 15, 2019 and each August 15 and February 15 thereafter, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS - Optional Redemption").

AUTHORITY FOR ISSUANCE.......... The Bonds are issued pursuant to the general laws of the State, including particularly Texas Government Code, Chapter 1331, as amended and the ordinance passed by the City Council of the City (see "THE OBLIGATIONS - Authority for Issuance of the Bonds").

The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, and the ordinances passed by the City Council of the City (see "THE OBLIGATIONS - Authority for Issuance of the Certificates").

SECURITY FOR THE OBLIGATIONS.............................. The Bonds constitute direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (see "THE OBLIGATIONS – The Bonds - Security and Source of Payment").

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinances authorizing the Certificates (see "THE OBLIGATIONS – The Certificates - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

The 2018B Certificates maturing on February 15 in the years 2028, 2030, 2033, 2036 and 2039 (the "Term 2018B Certificates") are subject to mandatory sinking fund redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE OBLIGATIONS – Mandatory Sinking Fund Redemption."

TAX MATTERS .... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

RATINGS .... The Obligations are rated "AA+" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), and "AA+" by Fitch Ratings ("Fitch") (see "OTHER INFORMATION - Ratings").

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the public purpose of (i) constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs, (ii) constructing, installing and equipping runways and taxiways and other improvements at the City's airport, and (iii) to pay the costs associated with the issuance of the Bonds.

Proceeds from the sale of the 2018A Certificates will be used for the public purpose of (i) acquiring, improving, renovating and equipping a building structure consisting of three units, one unit to be used for a law enforcement center for police and 911 communications center, one to be used for municipal courts and water utilities offices, and one to be used for records storage, and related landscaping, parking and infrastructure for the facility; (ii) constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs; and (iii) to pay the costs associated with the issuance of the 2018A Certificates.

Proceeds from the sale of the 2018B Certificates will be used for the public purpose of (i) acquiring, constructing, installing and equipping park and recreational improvements in the City, and (ii) to pay the costs associated with the issuance of the 2018B Certificates.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System") .

PAYMENT RECORD .... The City has not defaulted in payment of its general obligation tax debt since 1939 when a general refunding program was consummated involving no reduction in interest rate and a rearrangement of principal maturities only. The City has never defaulted on its revenue bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Debt[(3)]	Per Capita G.O. Debt	Ratio G.O. Debt to Taxable Assessed Valuation	% of Total Tax Collections
2014	118,887	$ 5,217,817,810	$ 43,889	$ 148,995,000	$ 1,253	2.86%	99.99%
2015	120,958	5,364,492,576	44,350	284,620,000	2,353	5.31%	99.50%
2016	120,958	5,655,710,437	46,758	297,915,000	2,463	5.27%	99.52%
2017	121,407	5,861,417,197	48,279	313,900,000	2,586	5.36%	99.48%
2018	122,225	6,089,356,764	49,821	314,145,000 (4)	2,570 (4)	5.16% (4)	88.10% (5)

(1) Population estimates provided by the City.
(2) As reported by the Central Appraisal District of Taylor County on City's annual Reports of Property Value to the State Comptroller of Public Accounts; subject to change during the ensuing year.
(3) Includes self-supporting debt (see Table 3B – Derivation of General Purpose Funded Tax Debt).
(4) Includes the Obligations.
(5) Partial year collections as of March 31, 2018.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Fund Balance at Beginning of Year	$ 26,458,762	$ 26,890,838	$ 25,902,661	$ 25,264,813	$ 25,731,484
Total Revenue	86,766,792	82,490,878	81,194,980	79,138,835	76,154,773
Total Expenditures	84,183,987	81,777,971	78,411,524	76,056,453	74,325,437
Other Financing Sources (Uses) [(1)]	(2,110,039)	(1,144,983)	(1,795,279)	(2,444,534)	(2,296,007)
Fund Balance at End of Year	$ 26,931,528	$ 26,458,762	$ 26,890,838	$ 25,902,661	$ 25,264,813

(1) The City funded its CIP program during fiscal years 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17 with cash in the General Fund. During the 2017-18 fiscal year, the City used approximately $2.1 million of the General Fund balance for one time capital projects.

For additional information regarding the City, please contact:

Mike Rains		George Williford		Erick Macha
Director of Finance		Regional Managing Director		Director
City of Abilene	or	Hilltop Securities Inc.	or	Hilltop Securities Inc.
P.O. Box 60		1201 Elm Street, Suite 3500		1201 Elm Street, Suite 3500
Abilene, Texas 79604-0060		Dallas, Texas 75270		Dallas, Texas 75270
(325) 676-6324		(214) 953-8705		(214) 953-4033

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Anthony Williams Mayor	1 Year	May, 2020	Chief Business Services Officer, Abilene Christian University
Shane Price Councilmember (Place 1)	9 Years	May, 2021	Vice President of Development, Bookstore Manager
Bruce Kreitler (1) Councilmember (Place 2)	3 Years	May, 2021	Arborist
Donna Albus Councilmember (Place 3)	1 Year	May, 2020	Retiree
Weldon W. Hurt Councilmember (Place 4)	1 Year	May, 2020	Business Owner, West Texas Pest Patrol
Kyle McAlister Councilmember (Place 5)	5 Years	May, 2019	Independent Insurance Agent
Steve Savage Councilmember (Place 6)	3 Years	May, 2019	Business Owner

(1) On June 16, 2018, Jack Rentz prevailed in a run-off election for Councilmember (Place 2) and, upon being sworn in, will replace Bruce Kreitler on the City Council for a term expiring in May, 2021.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Robert Hanna	City Manager	3 Years
Mindy Patterson	Assistant City Manager	26 Years
Michael Rice	Assistant City Manager	3 Years
Rosa Rios	City Secretary	1 Year
Stanley Smith	City Attorney	11 Years
Mirenda Walden	Animal Services Director	3 Years
Lesli Andrews	Director of Community Services	14 Years
Wayne Lisenbee	Director of Facilities & Capital Improvements	12 Years
Mike Rains	Director of Finance	10 Years
Brenda Alexander	Director of Human Resources	2 Years
Ken Flynn	Interim Director of Planning and Development	Newly Appointed
Andy Anderson	Interim Director of Public Works	Newly Appointed
Don Green	Director of Transportation Services	14 Years
Rodney Taylor	Director of Water Utilities	16 Years
Santos Navarrette	Health Services Director	4 Years
Tommy O'Brien	Executive Director of Water Utilities	14 Years
Stan Standridge	Chief of Police	23 Years
Cande Flores	Fire Chief	26 Years

CONSULTANTS AND ADVISORS

Auditors .... Eide Bailly LLP
Abilene, Texas

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

Financial Advisor .... Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

CITY OF ABILENE, TEXAS

$4,880,000
GENERAL OBLIGATION BONDS, SERIES 2018

$10,215,000
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018A

$1,615,000
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018B

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $4,880,000 City of Abilene, Texas, General Obligation Bonds, Series 2018 (the "Bonds"), $10,215,000 City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018A (the "2018A Certificates") and $1,615,000 City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018B (the "2018B Certificates", and collectively with the 2018A Certificates, the "Certificates"). The Bonds and the Certificates are referred to collectively herein as the "Obligations". Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinances (hereinafter defined) adopted on the date of sale of each respective series of the Obligations which will authorize the issuance of the Obligations, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

The Obligations are being offered concurrently by the City under a common Official Statement. The Obligations are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance," the "2018A Certificate Ordinance", and "2018B Certificate Ordinance" respectively, and collectively the "Ordinances"), adopted by the City Council of the City, and are being offered and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1883, and first adopted its Home Rule Charter in 1962. The City operates under the Council/Manager form of government where the mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, airport, sanitation services, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 U. S. Census population for the City was 117,063, while the estimated 2018 population is 122,225. The City covers approximately 109.92 square miles (see "Appendix A – General Information Regarding the City").

PLAN OF FINANCING

PURPOSE . . Proceeds from the sale of the Bonds will be used for the public purpose of (i) constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs, (ii) constructing, installing and equipping runways and taxiways and other improvements at the City's airport, and (iii) to pay the costs associated with the issuance of the Bonds (see "Table 11 - Authorized But Unissued General Obligation Bonds").

Proceeds from the sale of the 2018A Certificates will be used for the public purpose of (i) acquiring, improving, renovating and equipping a building structure consisting of three units, one unit to be used for a law enforcement center for police and 911 communications center, one to be used for municipal courts and water utilities offices, and one to be used for records storage, and related landscaping, parking and infrastructure for the facility; (ii) constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs; and (iii) to pay the costs associated with the issuance of the 2018A Certificates.

Proceeds from the sale of the 2018B Certificates will be used for the public purpose of (i) acquiring, constructing, installing and equipping park and recreational improvements in the City, and (ii) to pay the costs associated with the issuance of the 2018B Certificates. The park and recreational improvements being financed with proceeds of the 2018B Certificates (the "Park") will be leased by the City to the Abilene Youth Sports Authority ("AYSA"), a nonprofit corporation organized under the laws of the State of Texas and described in section 501(c)(3) of the Internal Revenue Code, pursuant to a lease agreement (the "Lease") between the City and AYSA. Pursuant to the Lease, AYSA will pay the City a nominal amount ($1.00) each year for use of the Park for youth sporting events.

USE OF BOND PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds		
Par Amount of the Bonds	$	4,880,000.00
Reoffering Premium		441,463.20
Total Sources of Funds	$	5,321,463.20
Uses of Funds		
Deposit to Project/Construction Fund	$	5,227,000.00
Deposit to Debt Service Fund		3,163.90
Underwriters' Discount and Costs of Issuance		91,299.30
Total Uses of Funds	$	5,321,463.20

USE OF 2018A CERTIFICATE PROCEEDS . . . The proceeds from the sale of the 2018A Certificates will be applied approximately as follows:

Sources of Funds		
Par Amount of the 2018A Certificates	$	10,215,000.00
Reoffering Premium		766,354.35
Total Sources of Funds	$	10,981,354.35
Uses of Funds		
Deposit to Project/Construction Fund	$	10,805,000.00
Deposit to Debt Service Fund		2,809.43
Underwriters' Discount and Costs of Issuance		173,544.92
Total Uses of Funds	$	10,981,354.35

USE OF 2018B CERTIFICATE PROCEEDS . . . The proceeds from the sale of the 2018B Certificates will be applied approximately as follows:

Sources of Funds		
Par Amount of the 2018B Certificates	$	1,615,000.00
Reoffering Premium		87,019.90
Total Sources of Funds	$	1,702,019.90
Uses of Funds		
Deposit to Project/Construction Fund	$	1,670,000.00
Deposit to Debt Service Fund		456.45
Underwriters' Discount and Costs of Issuance		31,563.45
Total Uses of Funds	$	1,702,019.90

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS... The Obligations are dated July 1, 2018 and mature on February 15 in each of the years and in the amounts shown on pages 2, 4 and 6 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2019 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE BONDS…The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Texas Government Code, Chapter 1331, as amended and an ordinance passed by the City Council.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES …The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended, Chapter 1502, Texas Government Code, as amended, and ordinances passed by the City Council.

THE BONDS – SECURITY AND SOURCE OF PAYMENT…The principal of and interest on the Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax within the limits prescribed by law upon all taxable property in the City.

THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT... The principal of and interest on the Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and additionally are payable from a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Waterworks and Sewer System.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate. The City's 2017/2018 tax rate is $0.7751 of which $0.2103 is for debt service purposes.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem Obligations of any series having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of such series of Obligations to be redeemed. If less than all the Obligations of any maturity of any series are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the respective Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Obligations, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Obligations have not been redeemed.

MANDATORY SINKING FUND REDEMPTION... The 2018B Certificates maturing on February 15 in the years 2028, 2030, 2033, 2036 and 2039 (the "Term 2018B Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided) on the following dates at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Term 2018B Certificates Maturing February 15, 2028

Redemption Date	Amount
2/15/2027	$ 70,000
2/15/2028[1]	75,000

Term 2018B Certificates Maturing February 15, 2030

Redemption Date	Amount
2/15/2029	$ 75,000
2/15/2030[1]	80,000

Term 2018B Certificates Maturing February 15, 2033

Redemption Date	Amount
2/15/2031	$ 85,000
2/15/2032	85,000
2/15/2033[1]	90,000

Term 2018B Certificates Maturing February 15, 2036

Redemption Date	Amount
2/15/2034	$ 95,000
2/15/2035	95,000
2/15/2036[1]	100,000

Term 2018B Certificates Maturing February 15, 2039

Redemption Date	Amount
2/15/2037	$ 105,000
2/15/2038	110,000
2/15/2039[1]	115,000

____

(1) Stated maturity.

The particular Term 2018B Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection. The principal amount of Term 2018B Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term 2018B Certificates of the same maturity which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION... Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to take any action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

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

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

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

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

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

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

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

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Underwriters.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System of the Obligations is discontinued, printed Obligations will be issued to the DTC Participants or the holder, as the case may be, and such Bonds and/or Certificates will be subject to transfer, exchange and registration provisions as set forth in each Ordinance and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for each series of Obligations is U.S. Bank National Association, Dallas, Texas. In each Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the

Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION... In the event the Book-Entry-Only System should be discontinued, printed Obligation certificates will be delivered to the registered owners of the Obligations and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar of such printed certificates and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount for any one maturity for a like type and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT... The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In each Ordinance, the City has reserved the right to amend the respective Ordinance without the consent of any holder for the purpose of amending or supplementing the respective Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders. Each Ordinance further provides that the holders of the respective Certificates or the Bonds, as applicable, aggregating in principal amount 51% of the outstanding respective Certificates or Bonds, as the case may be, shall have the right from time to time to approve any amendment not described above to the respective Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates or Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates or Bonds; (ii) reducing the rate of interest borne by any of the outstanding Certificates or Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates or Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates or Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates or Bonds necessary for consent to such amendment. Reference is made to the respective Ordinances for further provisions relating to the amendment thereof.

OBLIGATIONHOLDERS' REMEDIES . . . The respective Ordinances establish specific events of default with respect to the Certificates and the Bonds, respectively. If the City defaults in the payment of the principal of or interest on the Certificates or the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates or the Bonds, as applicable, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the respective Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Bonds, as applicable, or the respective Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates or the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Certificates or the Bonds upon any failure of the City to perform in accordance with the terms of the respective Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court ruled in Tooke v. City of Mexia (197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in a clear and unambiguous language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates or the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Certificates or the Bonds or in the Ordinances. Chapter 1371, Texas Government Code (“Chapter 1371”), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but the City is not using Chapter 1371 as legal authority in connection with the issuance of the Obligations, and the City has not waived sovereign immunity pursuant to Chapter 1371. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates or the Bonds.

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

See "Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates and the Bonds. Initially, the only registered owner of the Certificates and the Bonds will be DTC. See "Book-Entry-Only System" herein.

TAX INFORMATION

AD VALOREM TAX LAW... The appraisal of property within the City is the responsibility of the Central Appraisal District of Taylor County and the Jones County Appraisal District (jointly, the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed either the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000. The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons who are 65 years of age or older and persons who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit." "Goods in transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods in transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods in transit exemptions for items of personal property.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE... The City Council is required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

PROPERTY ASSESSMENT AND TAX PAYMENT... Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST... Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE... The City grants an exemption of 15% of the market value of residence homesteads; minimum exemption of $5,000.

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of up to $15,000; the disabled are also granted an exemption of up to $15,000.

The City has granted certain Historic Tax Exemptions under the Historic Tax Reduction Program.

See Table 1 for a listing of the amounts of the exemptions described above.

The City does not tax nonbusiness personal property; and the Central Appraisal District of Taylor County collects ad valorem taxes for the City under a contract with the City.

The City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older, as approved by the City's voters at an election held on November 7, 2006. The tax freeze, which applies to property that accounts for approximately 1.6% of the City's property tax revenue, may impact future property tax rates for the City. City administration does not believe that the implementation of the tax freeze will have a material adverse financial impact on the City for the September 30, 2018 fiscal year; however, City staff expects to continue to monitor the potential impact of the tax freeze on the City's financial condition.

The City does permit split payments, first half due by November 30, second half due by June 30; discounts are not allowed.

The City does tax freeport property.

The City has not taken action to tax goods-in-transit.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy, as described below.

TAX ABATEMENT POLICY... In 1990, the City established a tax abatement policy to encourage economic development. The policy specified several criteria pertaining to job creation and property value enhancement that newly constructed real and personal property improvements had to meet in order to be considered for tax abatement; projects were eligible for abatement of a percentage of ad valorem taxes for ten years; property located within an enterprise zone could receive an additional percentage abatement of 5% - 10%. The City granted a total of four abatements during the period 1990-1992. From 1992 to March, 1997, however, no tax abatements were granted as the City's policy was to provide incentives in lieu of tax abatements from a ½ of 1% economic development sales tax that became effective in 1990.

On March 27, 1997, the City rewrote and adopted a definitive Property Tax Abatement Policy (the "Policy"). On June 14, 2001, the City Council adopted a revised definitive Policy. Specific guidelines for tax abatement benefits were established for manufacturing, distribution, retail (if located in an enterprise zone or development area) and service facilities located in Abilene and certain multi-family residential properties if located in the Abilene Reinvestment Zone Number One. Generally, tax abatements may be granted for each year only for the additional values of eligible property improvements (actual capital expenditures) to the extent that the value of the property covered by the agreement exceeds the value of the property for the year in which the abatement agreement is executed; no abatement agreement may have a term in excess of ten years from the date of execution. Abatements are to be considered under specific criteria that includes job creation and capital expenditures with resulting abatements of 15% to 100% if granted. The City currently does not have any tax abatements in effect.

TAX INCREMENT FINANCING ZONES... Reinvestment Zone Number One, City of Abilene ("Zone One") was created in 1982 by the City with the consent of other taxing units overlapping Zone One. Comprising approximately 235 acres, Zone One includes the central business district. Ad valorem taxes on incremental growth in real property values within Zone One (levied at the tax rates of each taxing unit assessing an ad valorem tax on real property in Zone One) from a base value of January 1, 1983, are used to pay costs of development of Zone One; these tax funds can be used only for public improvements in Zone One or for payment of debt service on bonds issued to provide funds for public improvements located within Zone One. Zone One was terminated January 1, 2008. Approximately $583,547 of tax funds derived from incremental values in Zone One remain and such funds have been and are being used for public improvements in Zone One; Zone One has no bonded debt.

A Termination Agreement was executed in December 2007 between the City of Abilene and Tax Increment Finance board where by the remaining tax funds will be used for 6 specific items to include:

1) FY08 operating budget for the TIF Board
2) Destination/Way-finding signs for downtown and leading to downtown
3) Redevelopment of two (2) lots on Cedar Street into public parking with public restrooms
4) FY08 Abilene Cultural Affairs Council Cultural Incentive Program
5) Redevelopment Plan for Northeast & South Planning areas of downtown
6) Streetscape improvements on Cypress, Pine, Cedar and Walnut streets

Reinvestment Zone Number Two, City of Abilene ("Zone Two") was created on December 5, 2013 by the City. Comprising approximately 1,594 acres, Zone Two includes the Pine Street and Ambler Avenue corridors, all within the City's corporate limits. Ad valorem taxes on incremental growth in real property values within Zone Two (levied at the tax rate of the City on real property in Zone Two) from a base value of January 1, 2013 of approximately $116.4 million, are used to pay costs of development of Zone Two; these tax funds can be used only for public improvements in Zone Two or for payment of debt service on bonds issued to provide funds for public improvements located within Zone Two. Zone Two has no bonded debt.

CHAPTER 380 AGREEMENTS…The City is currently a party to three agreements under Chapter 380 of the Local Government Code.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by the Appraisal District (excluding totally exempt property)		$ 6,762,897,726
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Local Option)	$ 392,449,286	
Residence Homestead Exemptions (Over 65 and Disabled)	132,363,330	
Residential Homestead Value Lost on 10% Cap	8,198,759	
Productivity Loss	50,422,558	
Disabled Veterans Exemptions	83,019,394	
Pollution Control Value Lost	3,551,626	
Historic Tax Exemptions	3,536,009	(673,540,962) (1)
2017/18 Taxable Assessed Valuation		$ 6,089,356,764
City Funded Debt Payable from Ad Valorem Taxes as of May 15, 2018		
Outstanding General Obligation Debt	$ 297,435,000	
The Bonds	4,880,000	
The Certificates 2018A	10,215,000	
The Certificates 2018B	1,615,000	
		$ 314,145,000
Less: Self-Supporting Debt		
Waterworks and Sewer System General Obligation Debt (2) (4)	202,675,000	
Airport General Obligation Debt (3)(4)	1,705,000	
General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 109,765,000
Ratio Funded Debt to Taxable Assessed Valuation		5.16%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		1.80%

2018 Estimated Population - 122,225
Per Capita 2017/18 Taxable Assessed Valuation - $ 49,821
Per Capita Funded Debt Payable from Ad Valorem Taxes - $2,570
Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - $898

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(1) In addition to the exemptions described, the City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older. See "TAX INFORMATION – City Application of Tax Code." Additionally, approximately $45,042,269 of the 2017/18 Taxable Assessed Valuation is the incremental value associated with located in the Reinvestment Zone Number Two. See "TAX INFORMATION – Tax Increment Financing Zones" herein.

(2) "Waterworks and Sewer System (the "System") General Obligation Debt" consists of a portion of outstanding Combination Tax and Revenue Certificates of Obligation, Series 2009, a portion of the General Obligation Refunding Bonds, Series 2011, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2012, a portion of the General Obligation Refunding Bonds, Series 2013, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015, a portion of the General Obligation Refunding and Improvement Bonds, Series 2015, a portion of the General Obligation Refunding and Improvement Bonds, Series 2016, a portion of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017 and a portion of the General Obligation Refunding Bonds, Series 2017. The City provides for debt service on these issues from surplus Net Revenues of the System. The City has no outstanding Waterworks and Sewer System Revenue Bonds but has obligated revenues of the System under Water Supply Contracts. See Note 8, "Long-Term Obligations and Amounts Due within One Year" in the Notes to Financial Statements for the Fiscal year Ended September 30, 2017, in "APPENDIX B – EXCERPTS FROM THE CITY OF ABILENE, TEXAS ANNUAL FINANCIAL REPORT" for additional information concerning such Water Supply Contracts.

(3) "Airport General Obligation Debt" consists of outstanding Combination Tax and Airport Revenue Certificates of Obligation, Series 2007, on which debt service is provided from operating revenues of the Airport.

(4) It is the City's current policy to pay such self-supporting debt from the respective revenue sources; this policy is subject to change in the future, although the City has no current plans to change its policy. In the event the City changes it policy, or if such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service (see Tables 1 and 10 herein for more detailed information on the City's general obligation self-

supporting debt).

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year September 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,631,508,070	53.70%	$ 3,444,955,619	53.22%	$ 3,306,092,698	52.96%
Real, Residential, Multi-Family	380,702,506	5.63%	365,349,731	5.64%	347,421,030	5.57%
Real, Vacant Lots/Tracts	69,535,641	1.03%	66,758,950	1.03%	70,207,363	1.12%
Real, Acreage (Land Only)	52,368,833	0.77%	50,508,087	0.78%	48,005,998	0.77%
Real, Farm and Ranch Improvements	35,120,103	0.52%	34,517,734	0.53%	33,776,939	0.54%
Real, Commercial and Industrial	1,531,887,031	22.65%	1,442,262,544	22.28%	1,379,919,499	22.10%
Real, Oil, Gas and Other Minerals	7,968,226	0.12%	7,431,467	0.11%	12,836,197	0.21%
Real and Tangible Personal, Utilities	156,588,392	2.32%	142,255,219	2.20%	142,372,234	2.28%
Tangible Personal, Commercial and Industrial	839,499,080	12.41%	856,364,968	13.23%	838,529,508	13.43%
Tangible Personal, Other	9,809,202	0.15%	9,680,723	0.15%	9,172,935	0.15%
Real Property, Inventory(1)	4,291,719	0.06%	6,031,331	0.09%	4,074,336	0.07%
Special Inventory	43,618,923	0.64%	47,488,330	0.73%	50,499,631	0.81%
Total Appraised Value Before Exemptions	$ 6,762,897,726	100.00%	$ 6,473,604,703	100.00%	$ 6,242,908,368	100.00%
Less: Total Exemptions/Reductions(2)	(687,193,130)		(645,060,758)		(619,231,782)	
Taxable Assessed Value at 10/01	$ 6,075,704,596		$ 5,828,543,945		$ 5,623,676,586	
Adjustments for Errors and Corrections to Roll	13,652,168		32,873,252		32,033,851	
Taxable Assessed Value	$ 6,089,356,764		$ 5,861,417,197		$ 5,655,710,437	

	Taxable Appraised Value for Fiscal Year September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,161,416,298	53.14%	$ 3,053,078,885	52.79%
Real, Residential, Multi-Family	331,852,172	5.58%	332,562,976	5.75%
Real, Vacant Lots/Tracts	71,610,479	1.20%	71,841,506	1.24%
Real, Acreage (Land Only)	48,976,416	0.82%	48,808,415	0.84%
Real, Farm and Ranch Improvements	30,354,640	0.51%	29,283,847	0.51%
Real, Commercial and Industrial	1,258,257,288	21.15%	1,216,042,825	21.03%
Real, Oil, Gas and Other Minerals	19,425,936	0.33%	18,445,204	0.32%
Real and Tangible Personal, Utilities	111,176,910	1.87%	115,742,134	2.00%
Tangible Personal, Commercial and Industrial	858,537,360	14.43%	840,402,020	14.53%
Tangible Personal, Other	10,563,624	0.18%	12,137,353	0.21%
Real Property, Inventory(1)	3,044,601	0.05%	4,681,150	0.08%
Special Inventory	44,154,590	0.74%	40,706,329	0.70%
Total Appraised Value Before Exemptions	$ 5,949,370,314	100.00%	$ 5,783,732,644	100.00%
Less: Total Exemptions/Reductions	(635,179,105)		(586,734,964)	
Taxable Assessed Value at 10/01	$ 5,314,191,209		$ 5,196,997,680	
Adjustments to Errors and Corrections to Roll	50,301,367		20,820,130	
Taxable Assessed Value at 9/30	$ 5,364,492,576		$ 5,217,817,810	

NOTE: Valuations shown are certified taxable assessed values reported by the Central Appraisal District of Taylor County to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) Real properties inventories in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.
(2) In addition to the exemptions described, the City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older. See "TAX INFORMATION – City Application of Tax Code."

TABLE 3A - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	General Obligation Debt Outstanding [(3)]	Ratio General Obligation Debt to Taxable Assessed Valuation	General Obligation Debt Per Capita
2014	118,887	$ 5,217,817,810	$ 43,889	$ 148,995,000	2.86%	$ 1,253
2015	120,958	5,364,492,576	44,350	284,620,000	5.31%	2,353
2016	120,958	5,655,710,437	46,758	297,915,000	5.27%	2,463
2017	121,407	5,861,417,197	48,279	313,900,000	5.36%	2,586
2018	122,225	6,089,356,764	49,821	314,145,000 [(4)]	5.16% [(4)]	2,570 [(4)]

(1) Source: City of Abilene
(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt (see "Table 3B - Derivation of General Purpose Funded Tax Debt").
(4) Includes the Obligations.

TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT

Fiscal Year Ended 9/30	General Obligation Debt Outstanding	Less: Self-Supporting Waterworks and Sewer System General Obligation Debt	Less: Airport General Obligation Debt	General Purpose Funded Tax Debt
2014	$ 148,995,000	$ 94,235,000	3,090,000	$ 51,670,000
2015	284,620,000	214,095,000	2,770,000	67,755,000
2016	297,915,000	207,730,000	2,435,000	87,750,000
2017	313,900,000	210,645,000	2,080,000	101,175,000
2018	314,145,000 [(1)]	202,675,000	1,705,000	109,765,000 [(1)]

(1) Includes the Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2014	$ 0.6860	$ 0.5095	$ 0.1765	$ 35,243,493	98.89%	99.99%
2015	0.6860	0.5215	0.1645	36,181,533	98.77%	99.50%
2016	0.7140	0.5306	0.1834	39,572,135	98.73%	99.52%
2017	0.7465	0.5448	0.2017	42,686,671	98.78%	99.48%
2018	0.7751	0.5648	0.2103	46,053,774	87.43%	88.10% [(1)]

(1) Partial year collections as of March 31, 2018.
(2) Tax Levy presented considers the estimated impact of the "Over 65 and Disabled Homeowners" tax freeze. See "Tax Information – City Application of Tax Code" herein.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2018 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
AEP Texas North Company	Electric Transmission & Distribution	$ 73,068,396	1.20%
Coca-Cola Refreshments USA Inc.	Beverage Distributor	53,714,917	0.88%
NC SCHI Inc.	Abilene Regional Medical Center - Private Hospital	51,177,505	0.84%
Partners Mall Abilene LLC	Mall	46,846,000	0.77%
Fehr Food Inc.	Food Service Distributor	45,449,883	0.75%
Lowe's Home Centers, Inc.	Home Improvement Store	24,601,498	0.40%
ARCP MT Abilene TX LLC	Shops of Abilene	22,532,000	0.37%
Atmos Energy/Mid-Tex Division	Gas Distribution	22,453,102	0.37%
Walmart Stores Inc.	Discount Store	22,220,951	0.36%
Reserve at Abilene	Apartments	20,365,000	0.33%
		$ 382,429,252	6.28%

GENERAL OBLIGATION DEBT LIMITATION... No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE OBLIGATIONS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

Maximum Principal and Interest Requirements, All General Obligation Debt, 2018 (1)…………………	$	30,369,206
$.5142 Tax Rate at 97% Collection Produces ………………………………………………	$	30,372,128
Maximum Principal and Interest Requirements, General Purpose Debt, 2019 (2).………………………	$	12,624,248
$.2138 Tax Rate at 97% Collection Produces ………………………………………………	$	12,628,473

(1) Includes the Obligations and self-supporting debt. See "Table 1 – Valuation, Exemptions and General Obligation Debt."
(2) Includes the Obligations, but excludes self-supporting debt.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas and from information furnished by the Central Appraisal District of Taylor County and the Jones County Appraisal Districts. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2017/18 Taxable Assessed Value [1]	2017/18 Tax Rate [1]	Total Tax Debt As of 5/15/2018	Estimated % Applicable	City's Overlapping Tax Debt As of 5/15/2018	Authorized But Unissued Debt As of 5/15/2018
City of Abilene	$ 6,089,356,764	$ 0.7751	$ 314,145,000 [2]	100.00%	$ 314,145,000 [2]	$ 13,510,000
Abilene Independent School District	4,192,270,081	1.1983	109,432,883	97.95%	107,189,509	-
Clyde Cons. Independent School District	520,683,327	1.3997	22,975,653	0.40%	91,903	-
Eula Independent School District	236,402,167	1.4400	5,345,800	27.65%	1,478,114	-
Hawley Independent School District	132,515,360	1.2900	5,955,000	1.19%	70,865	-
Jones County	774,102,020	0.7000	5,975,000	4.42%	264,095	6,900,000
Merkel Independent School District	389,873,847	1.2825	11,805,000	0.54%	63,747	-
Taylor County	8,279,491,129	0.6031	48,180,000	81.71%	39,367,878	-
Wylie Independent School District	1,725,836,800	1.1250	56,880,000	62.32%	35,447,616	-

Total Direct and Overlapping Tax Debt	$ 498,118,726
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation	8.18%
Per Capita Overlapping Tax Debt	$ 4,075.42

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(1) Source: Municipal Advisory Council of Texas.

(2) Includes self-supporting General Obligation Debt (see "Table 1 – Valuation, Exemptions and General Obligation Debt").

If the City's General Purpose Tax Debt of $109,765,000 is included in the calculation in place of Total Tax Debt of $314,145,000, the following results:

Total Direct and Overlapping Tax Debt	$ 293,738,726
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation	4.82%
Per Capita Overlapping Tax Debt	$ 2,403

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt[1] Principal	Outstanding Debt[1] Interest	Outstanding Debt[1] Total	The Bonds[2] Principal	The Bonds[2] Interest	The 2018A Certificates[3] Principal	The 2018A Certificates[3] Interest	The 2018B Certificates[4] Principal	The 2018B Certificates[4] Interest	Grand Total Requirements	Less: Waterworks and Sewer System General Obligation Debt	Less: Airport General Obligation Debt	General Purpose Funded Tax Debt	% of Principal Retired
2018	$ 17,375,000	$ 12,994,206	$ 30,369,206	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,369,206	$ 17,729,486	$ 464,510	$ 12,175,211	5.43%
2019	16,315,000	12,727,410	29,042,410	145,000	219,632	-	433,321	-	65,691	29,906,052	16,814,817	466,988	12,624,248	
2020	15,260,000	12,096,387	27,356,387	165,000	198,975	355,000	396,725	55,000	60,125	28,587,212	16,680,409	468,046	11,438,756	
2021	14,625,000	11,494,168	26,119,168	170,000	193,950	370,000	385,850	60,000	58,400	27,357,368	16,123,649	467,750	10,765,969	
2022	12,920,000	10,928,799	23,848,799	180,000	188,700	385,000	374,525	60,000	56,600	25,093,624	14,479,656	471,155	10,142,813	
2023	12,440,000	10,398,203	22,838,203	185,000	181,375	395,000	362,825	60,000	54,800	24,077,203	14,465,415		9,611,788	28.08%
2024	12,000,000	9,864,853	21,864,853	195,000	171,875	405,000	350,825	65,000	52,925	23,105,478	14,453,216		8,652,263	
2025	11,980,000	9,314,084	21,294,084	205,000	161,875	415,000	338,525	65,000	50,975	22,530,459	14,072,522		8,457,938	
2026	12,420,000	8,777,553	21,197,553	215,000	151,375	430,000	325,850	70,000	48,600	22,438,378	14,066,191		8,372,188	
2027	12,520,000	8,283,277	20,803,277	225,000	140,375	445,000	310,500	70,000	45,800	22,039,952	14,070,252		7,969,700	
2028	12,620,000	7,769,583	20,389,583	235,000	130,050	465,000	292,300	75,000	42,900	21,629,833	14,071,336		7,558,497	47.67%
2029	12,770,000	7,235,908	20,005,908	245,000	120,450	480,000	273,400	75,000	39,900	21,239,658	14,071,342		7,168,316	
2030	12,745,000	6,692,642	19,437,642	255,000	110,450	500,000	253,800	80,000	36,800	20,673,692	14,071,320		6,602,372	
2031	13,310,000	6,111,660	19,421,660	265,000	100,050	525,000	233,300	85,000	33,500	20,663,510	14,064,963		6,598,547	
2032	13,805,000	5,502,173	19,307,173	275,000	89,250	545,000	211,900	85,000	30,100	20,543,423	14,078,995		6,464,428	
2033	14,420,000	4,858,042	19,278,042	290,000	77,950	565,000	189,700	90,000	26,600	20,517,292	14,066,658		6,450,634	69.06%
2034	14,950,000	4,192,228	19,142,228	300,000	66,150	590,000	166,600	95,000	22,900	20,382,878	13,931,363		6,451,516	
2035	15,645,000	3,503,872	19,148,872	310,000	53,950	610,000	142,600	95,000	19,100	20,379,522	13,938,375		6,441,147	
2036	14,800,000	2,811,400	17,611,400	325,000	41,250	635,000	117,700	100,000	15,200	18,845,550	14,078,550		4,767,000	
2037	13,625,000	2,153,938	15,778,938	340,000	26,250	665,000	88,375	105,000	11,100	17,014,663	14,087,688		2,926,975	
2038	11,670,000	1,555,700	13,225,700	355,000	8,875	700,000	54,250	110,000	6,800	14,460,625	13,225,700		1,234,925	91.68%
2039	12,255,000	983,638	13,238,638			735,000	18,375	115,000	2,300	14,109,313	13,238,638		870,675	
2040	8,545,000	480,125	9,025,125							9,025,125	9,025,125		-	
2041	4,885,000	150,750	5,035,750							5,035,750	5,035,750		-	
2042	445,000	24,063	469,063							469,063	469,063		-	
2043	465,000	8,138	473,138							473,138	473,138		-	100.00%
	$ 314,810,000	$ 160,912,796	$ 475,722,796	$ 4,880,000	$ 2,432,807	$ 10,215,000	$ 5,321,246	$ 1,615,000	$ 781,116	$ 500,967,963	$ 334,883,612	$ 2,338,449	$ 163,745,902	

(1) Outstanding Debt includes self-supporting debt.
(2) Average life of the Bonds – 11.506 years. True Interest Cost of the Bonds is 3.405%.
(3) Average life of the 2018A Certificates – 12.332 years. True Interest Cost of the 2018A Certificates is 3.472%.
(4) Average life of the 2018B Certificates – 12.327 years. True Interest Cost of the 2018B Certificates is 3.437%.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2018[1]		$ 12,175,211
Interest and Sinking Fund Balance, 9/30/2017	$ 1,841,779	
Budgeted Interest and Sinking Fund Tax Collections, 9/30/2018	12,201,840	
Solid Waste Transfer	29,520	
Collection and Paying Agent Fees	(223,650)	
Estimated Investment Income	31,710	
		$ 13,881,199
Estimated Balance, 9/30/2018		$ 1,705,988

(1) Excludes Self-Supporting Debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Gross Income, Waterworks & Sewer System, Fiscal Year Ended 9/30/2017	$ 53,544,422
Less: Net Operating Expenses, Waterworks & Sewer System, Fiscal Year Ended 9/30/2017	32,819,299
Balance Available for Other Purposes	$ 20,725,123
Waterworks and Sewer System General Obligation Requirements, Fiscal Year Ended 9/30/2018	$ 17,729,486
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount Authorized	Amount Previously Issued	Amount Being Issued	Authorized But Unissued
5/9/2015	Streets & Road	$ 45,975,000	$ 34,665,000	$ 4,727,000 [1]	$ 6,583,000 [1]
5/9/2015	Civic Center	$ 2,810,000	$ 2,810,000	-	-
5/9/2015	Sidewalks	3,820,000	3,820,000	-	-
5/9/2015	Police & Fire	12,865,000	12,865,000	-	-
5/9/2015	Zoo	1,030,000	1,030,000	-	-
5/9/2015	Aquatic Facilities	6,000,000	6,000,000	-	-
5/9/2015	Splash Pads	2,500,000	2,500,000	-	-
5/9/2015	Parks & Recreation	1,490,000	1,490,000	-	-
5/9/2015	Airport Improvements	4,200,000	2,000,000	500,000	1,700,000
		$ 80,690,000	$ 67,180,000	$ 5,227,000 [1]	$ 8,283,000 [1]

(1) Principal plus premium applied to project costs.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT... The City anticipates issuing approximately $18.37 million in tax supported debt through the Texas Water Development Board for smart meters; such debt will be self-supported with revenues of the City's Waterworks and Sewer System. The City may incur non-voted debts payable from or secured by its collection of taxes and other sources of revenue, including tax notes, public property finance contractual obligations, and leases for various purposes.

TABLE 12 - OTHER OBLIGATIONS

The City has no other obligations.

RETIREMENT PLANS

Plan Descriptions

Texas Municipal Retirement System

The City provides pension benefits for all of its full-time employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System Plan (TMRS), one of 860 currently administered by TMRS, an agent multiple-employer public employee retirement system. The TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. Such report may be obtained on TMRS' website at www.TMRS.com.

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

Abilene Firemen's Relief and Retirement Fund

The City provides pension benefits, through a single-employer defined benefit plan, for all of its firefighters not covered by the Texas Municipal Retirement System. The Abilene Firemen's Relief and Retirement Fund (AFRRF) is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The fund is administered by a Board of Trustees. The Board is made up of three members elected from and by the fund members, two representatives of the City of Abilene, Texas, and two citizen members. The plan was most recently amended effective February 25, 2015. Audited financial statements are issued by the Plan and can be obtained from the City of Abilene.

All eligible firefighters of the City, not covered by TMRS or any other system or plan, are required to participate in AFRRF.

Benefits

Texas Municipal Retirement System (TMRS) - This plan provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – This plan provides retirement, disability, and death benefits. A member is eligible for service retirement if they have completed 20 years of credited service and attained the age of 50. A member who retires under the service retirement provision will receive a monthly benefit equal to the sum of a) standard service benefit equal to 3 percent of the member's average monthly salary multiplied by the member's number of years of credited service not in excess of 20 years and b) an additional service benefit calculated as the sum of (i) the member's years of credited service in excess of 20 but not to exceed 21.5 years, multiplied by 3.0 percent of the member's average monthly salary and (ii) $80.00 multiplied by the member's years of service credit in excess of 21.5. A Deferred Retirement Option Plan (DROP) is available to eligible members with 23 years of service and age 53.

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The plan provisions of the City are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Employee deposit rate	7%	13%
Matching ratio (City to employee)	2 to 1	
City's Contribution		19.25%
A member is vested after	5 Years	20 Years
Serivce Retirement Eligibility (expressed as age/years of Service)	60/5, 0/20	50/20
Updated Service Credit	100% Repeating, Transfers	
Annuity increase to retirees	0% of CPI	0% of CPI

As of the most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2016	September 30, 2017
Retirees and beneficiaries currently receiving benefits	785	186
Inactive employees entitled to but not yet receiving benefits	479	3
Active employees	1,023	174
Total Participants	2,287	363

Contributions

Texas Municipal Retirement System (TMRS) – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Abilene were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.02% and 10.58% in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2017 were $5,097,814 and were equal to the required contributions.

Abilene Firemen’s Relief and Retirement Fund (AFRRF) – The City’s contribution rate for fiscal year 2016 and 2017 was 19.25% of each member’s gross pay. Of this amount 1.75 percent of pay is dedicated to providing post-retirement benefit increase to inactive members, unless the contribution is needed in order to meet the funding requirements of the plan. Fund members contributed 13.2% of gross pay. Employee contributions are “picked up” by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a members’ contributions are excluded from taxable income when paid into the fund. The City’s contributions to AFRRF for the year ended September 30, 2017 were $2,541,026 and were equal to the required contribution.

Net Pension Liability

The “Net Pension Liability” (NPL) is the difference between the “Total Pension Liability” (TPL) and the plan’s “Fiduciary Net Position” (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA’s). In addition, ad hoc COLA’s are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans.

Texas Municipal Retirement System (TMRS) - The City’s Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Abilene Firemen’s Relief and Retirement Fund (AFRRF) – The City’s Net Pension Liability (NPL) was measured as of September 30, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of October 1, 2015.

	Texas Municipal Retirement System		Abilene Firemen's Relief and Retirement Fund	
Measurement Date	December 31, 2016		September 30, 2017	
Total Pension Liability	$	288,193,568	$	107,969,265
Fiduciary Net Position		256,203,836		57,456,309
Net Pension Liability	$	31,989,732	$	50,512,956

Actuarial Assumptions

Texas Municipal Retirement System

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alterative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

Abilene Firemen’s Relief and Retirement Fund

The Total Pension Liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Update procedures were used to roll forward the total pension liability from the actuarial valuation date to the pension plan’s fiscal year-end.

Inflation	3.0% per year
Overall payroll growth	4.0% per year, compounded annually
Investment Rate of Return	8.00%

Discount Rate

Texas Municipal Retirement System (TMRS) - The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The discount rate used to measure the Total Pension Liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that City contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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 Benefits 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.

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 employee's entire careers.

The City's contribution for retirees to the TMRS SDBF for the years ended 2017, 2016, and 2015 were $48,854, $43,492, and $34,504, respectively, which equaled the required contributions each year.

For more information concerning the City's Retirement Plans, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note 6.

Other Post-Employment Benefits

The City's employee life insurance program is administered by an independent insurance company. The City collects premium payments from employees and retirees electing to participate in the program and remits these premium payments to the insurance company. Life insurance premiums collected and remitted for employees and retirees amounted to $18,483 and $3,149, respectively, for the year ended September 30, 2017.

Other than the City's employee life insurance program, the City provides no other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
Taxes	$ 72,495,789	$ 69,056,784	$ 67,980,425	$ 58,258,617	$ 63,980,278
Franchise Fees	-	-	-	7,177,428	-
Licenses and Permits	1,314,897	1,531,658	1,548,832	1,586,623	1,284,471
Fines and Forfeitures	1,484,462	1,461,971	1,807,461	2,193,408	2,119,234
Charges for Services	4,477,775	4,035,974	3,937,650	3,910,156	3,631,256
Intergovernmental Revenues	91,711	107,864	89,530	101,048	96,125
Interest and Miscellaneous	6,902,158	6,296,627	5,831,082	5,911,555	5,043,409
Total Revenues	$ 86,766,792	$ 82,490,878	$ 81,194,980	$ 79,138,835	$ 76,154,773
Expenditures:					
General Government	$ 4,570,773	$ 2,293,529	$ 1,939,342	$ 1,889,881	$ 1,836,054
Administrative Services	3,093,545	2,954,916	2,697,576	2,571,837	2,351,570
Finance	5,692,057	7,359,153	7,126,917	7,026,607	6,544,637
Planning and Development	2,118,591	2,269,848	3,178,177	3,087,846	3,057,265
Public Works	6,810,897	6,327,803	6,422,266	6,232,294	6,120,229
Facilities & Capital Improvement	1,385,754	-	-	-	-
Police	27,748,927	26,275,119	24,894,951	24,206,397	23,215,614
Fire	19,256,979	18,748,209	18,577,983	18,046,840	17,557,546
Transportation Services	1,941,925	1,959,062	2,022,131	1,956,764	1,771,546
Community Services	11,564,539	13,590,332	11,552,181	11,037,987	11,870,976
Total Expenditures	$ 84,183,987	$ 81,777,971	$ 78,411,524	$ 76,056,453	$ 74,325,437
Excess (Deficit) of Revenue over Expenditures	$ 2,582,805	$ 712,907	$ 2,783,456	$ 3,082,382	$ 1,829,336
Other Financing Sources (Uses) (1)	(2,110,039)	(1,144,983)	(1,795,279)	(2,444,534)	(2,296,007)
Fund Balance at Beginning of Year	$ 26,458,762	$ 26,890,838	$ 25,902,661	$ 25,264,813	$ 25,731,484
Fund Balance at End of Year	$ 26,931,528	$ 26,458,762	$ 26,890,838	$ 25,902,661	$ 25,264,813

(1) The City funded its CIP program during fiscal years 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17 with cash in the General Fund. During the 2017-18 fiscal year, the City used $2.1 million of the General Fund balance for one-time capital projects.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%). On August 12, 1989, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development and an additional one-half of one percent (½ of 1%) for property tax reduction. Collection for the additional tax went into effect on January 1, 1990. The sales tax for economic development is collected solely for the benefit of the Development Corporation of Abilene, Inc., and may be pledged to secure payment of sales tax revenue bonds if issued by the Corporation in the future. No sales tax revenue has been pledged to secure payment of the Obligations.

Fiscal Year Ended 9/30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (2)
2014	$ 30,780,883	87.34%	$ 0.5899	$ 259
2015	31,481,309	87.01%	0.5868	260
2016	30,388,148	76.79%	0.5373	251
2017	31,193,071	73.07%	0.5322	257
2018	17,327,407 (3)	37.62%	0.2846	142

(1) Excludes collections of the 1/2 of 1% sales and use tax for economic development.
(2) See "Estimated Population" under "Table 3A - Valuation and General Obligation Debt History".
(3) Partial year collections as of March 31, 2018.

FINANCIAL POLICIES

The City Council adopted the following Financial Policy on May 23, 1984, and amended the policy on February 9, 1995. The City of Abilene adheres to the Financial Policy for conducting the financial management of the City. The established long-range policies regarding financial management are to exercise a discipline which allows the City to retain a sound financial condition; strive to retain the best possible rating on bonds; provide future generations with the ability to borrow capital for construction of facilities without severe financial burden; and, give recognition to the community's needs and ability to pay. These goals are accomplished in the following manner:

- Prudent budgeting and effective budget control. The operating budgets will provide sufficient funding levels for ongoing maintenance of the infrastructure. Budget replacement of capital equipment as the need arises. (Office machines, automobiles, heavy equipment, etc.)
- The securing and/or approval of federal and state assistance will be based on established criteria. Such criteria is:
  - What benefit does the project have to the community as a whole,
  - What future impact will the City be responsible for due to the acceptance of the funding, and
  - How does the project relate to the Strategic Management Plan and/or other future plans of the organization?
- Private grants and donations will be actively pursued and will be subject to the same criteria as federal and state funds.
- Passing a share of the cost of extending utilities and improvements in subdivisions to property owners of the subdivisions rather than to the general public.
- Providing working capital in all funds sufficient to meet current operating needs.

- Funding Equipment Replacement at the required level.

- The Facilities and Infrastructure Improvement/Maintenance Program will be financed by dedicating a minimum of either 1/2¢ ad valorem tax or $100,000.

- Pay as you go financing of capital improvements where feasible while planning for capital improvements on a five year basis and updated annually.

- Attempting to schedule bond issues so that an equal principal amount is retired each year over the life of the issue producing a total debt service schedule with a declining balance each year.

- The intent of this paragraph is to assure that the taxpayers of the City receive full benefit of "qualified" status on debt issued and not subsidize the interest expense of other debt issuers utilizing corporations created by the City on their behalf. Any differential in interest expense to the City between "qualified" (qualified tax-exempt obligations ["QTEO"]) and "non-qualified" tax exempt debt status that results from debt issued through corporations established by the City Council will be borne by those issuers of debt. The differential will be prorated among the issuers utilizing the corporations based on the amount of debt it issues to total debt issued by all corporation issuers during the calendar year. Any differential in the City's cost shall be calculated by the City's financial advisor based on market conditions on the date of the City sale of debt.

- The Minor Improvement Program will encompass basic capital needs whereby the amount of debt issued is equal to the amount of debt retired while maintaining the same tax rate for debt. The basic capital needs include streets, bridges, traffic control, parks, localized drainage/creek cleaning, and police/fire equipment. All projects will be financed through Certificates of Obligation or Contractual Obligations as appropriate.

- The Major Improvement Program will encompass major new construction such as large facilities, flood control, and other major infrastructure improvements. All projects will be approved through bond elections. A plan of major improvements that would require a bond election will be reviewed at least every three years. The identified needs would determine when a bond election would be needed.

- Financial accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board and the Governmental Finance Officers Association and making such reports available to bond rating agencies and other financially interest organizations.

- Achieving and maintaining a fund balance equivalent to three (3) months' operating costs of the general operating budget, at 95% liquidity, which should be sufficient to provide financing for necessary projects and meet unanticipated contingencies such as lawsuits, tax roll tie-ups, severe fluctuations in sales of the City owned utilities and other fiscal emergencies.

Basis of Accounting...The City's accounting system is conducted on the modified accrual basis of accounting for all governmental and expendable trust funds. Under this basis expenditures are recorded when liabilities are incurred; and, revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for the Enterprise and Internal Service Funds. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

General Fund Balance...The City's policy is to achieve and maintain a General Fund balance equivalent to three months operating cost of the general operating budget, at ninety-five percent (95%) liquidity, which should be sufficient to provide financing for necessary projects and meet unanticipated contingencies such as law suits, tax roll tie-ups, and severe fluctuations in the sales of the City owned utilities and other fiscal emergencies.

Debt Service Fund Balance...A reasonable debt service fund balance is maintained in order to compensate for unexpected contingencies.

Use of Bond Proceeds, Grants, etc...Bond proceeds are used only for the equipment and construction of capital improvements for which the bonds have been authorized. The City receives various grants from federal and state governments. Some of these grants are for permanent capital improvements and some are for operating assistance such as Urban Mass Transit Administration operating and assurance grants. All grant funds are expended in accordance with the requirements of the grant regulations and are audited annually by the City's Independent Auditors; Federal and State grants do not play a significant part in funding of the City's operations.

Budgetary Procedures... At least thirty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget, which represents the fiscal plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which all interested persons and comments concerning the budget are heard. The budget for the next fiscal year is legally enacted by the City Council through passage of an ordinance not later than the twenty-fifth day of the last month of the fiscal year.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load money market mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (v) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service and has or which has a weighted average maturity no greater than 90 days. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City ; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer, and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

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TABLE 15 - CURRENT INVESTMENTS

As of March 31, 2018, the City's investable funds were invested in the following categories:

Investment Type	Percent of Total Investments	Purchase Price	Fair Market Value[1]
TexPool	31.06%	$ 43,374,410	$ 43,374,410
TexSTAR[2]	14.02%	19,573,156	19,573,156
Money Markets	1.82%	2,537,214	2,537,214
Government Agency Investments	53.11%	74,161,966	73,799,280
	100.00%	$ 139,646,746	$ 139,284,060

____

(1) All investments will mature within 49 months and the market value of the total investment portfolio was approximately 99.7% of its purchase price.

(2) TexSTAR is a local government investment pool co-administered by Hilltop Securities Inc.

TAX MATTERS

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

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

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

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

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

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT... The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the tax-exempt obligations may not be equal to the accrual period or be in excess of one year (the

“Original Issue Discount Obligations”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the particular series of obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES... The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds, the 2018A Certificates or 2018B Certificates, as applicable. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2018. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the United States Securities and Exchange Commission (the "SEC"). The City will provide the updated information to the MSRB through the "EMMA" information system in accordance with Rule 15c2-12 (the "Rule") promulgated by the SEC.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information included in Tables 1 through 6 and 8 through 15 by March 31 in each year, unless the City changes its fiscal year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS …The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Obligations are rated “AA+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) and “AA+” by Fitch Ratings (“Fitch”). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

It is the opinion of the City Attorney and City staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of each respective series of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificates and to the effect that the Bonds and Certificates, respectively, are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel with respect to each respective series of Obligations, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (exclusive of the subcaptions "Use of Bond Proceeds", “Use of 2018A Certificate Proceeds”, and "Use of 2018B Certificate Proceeds"), "THE OBLIGATIONS" (exclusive of the last two sentences of the subcaption "Tax Rate Limitation" and the subcaptions "Book-Entry-Only System" and "Obligationholders' Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions “Registration and Qualification of Obligations for Sale,” "Legal Opinions" (exclusive of the last sentence thereof) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption “OTHER INFORMATION” in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public shown on page 2 of this Official Statement, less an underwriting discount of $33,799.30. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Underwriters have agreed, subject to certain conditions, to purchase the 2018A Certificates from the City, at a price equal to the initial offering prices to the public shown on page 4 of this Official Statement, less an underwriting discount of $69,544.92. The Underwriters will be obligated to purchase all of the 2018A Certificates if any 2018A Certificates are purchased.

The Underwriters have agreed, subject to certain conditions, to purchase the 2018B Certificates from the City, at a price equal to the initial offering prices to the public shown on page 6 of this Official Statement, less an underwriting discount of $13,563.45. The Underwriters will be obligated to purchase all of the 2018B Certificates if any 2018B Certificates are purchased.

The Obligations to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Obligations, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the City. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Ordinances authorizing the issuance of the Obligations also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Underwriters.

Anthony Williams
Mayor
City of Abilene, Texas

ATTEST:

Rosa Rios
City Secretary
City of Abilene, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of Abilene, County Seat of Taylor County, Texas, is primarily located in northern Taylor County with a small portion of the City located in Jones County to the north. Located 150 miles west of Fort Worth and 180 miles west of Dallas, Abilene is the economic, medical, educational and cultural center of this West Central Texas area.

POPULATION

	City of Abilene (1)	Taylor County (2)
1920 Census	10,274	24,081
1930 Census	23,175	41,023
1940 Census	26,612	44,147
1950 Census	45,570	63,370
1960 Census	90,368	101,078
1970 Census	89,653	97,853
1980 Census	98,315	110,932
1990 Census	106,707	119,655
2000 Census	115,930	126,555
2010 Census	117,179	127,683
2018 Estimated	122,225	136,730

(1) With the exception of U.S. Census figures, population estimates are provided by the City of Abilene, Texas.
(2) With the exception of U.S. Census figures, population estimates are provided by Taylor County, Texas.

BUSINESS AND INDUSTRY

Manufacturing plants in Abilene and its immediate vicinity produce such products as gas welding equipment, meat products, plumbing fixture, soft drinks and soft drink containers, bakery products, vegetable oil products, poultry and livestock feeds, tire retreading products, sprockets and gears, pressure vessels, ski boats, and signs.

LABOR FORCE ESTIMATES

	Annual Averages				
	2018(1)	2017	2016	2015	2014
Abilene MSA					
Civilian Labor Force	76,815	75,527	74,593	74,690	76,054
Total Employment	74,094	72,746	71,659	71,817	72,765
Unemployment	2,721	2,781	2,934	2,873	3,289
Percent Unemployment	3.5%	3.7%	3.9%	3.8%	4.3%
Taylor County					
Civilian Labor Force	65,138	64,051	63,183	63,301	64,418
Total Employment	62,931	61,784	60,821	60,982	61,706
Unemployment	2,207	2,267	2,362	2,319	2,712
Percent Unemployment	3.4%	3.5%	3.7%	3.7%	4.2%
State of Texas					
Civilian Labor Force	13,755,821	13,538,385	13,317,176	13,074,570	13,024,701
Total Employment	13,186,693	12,960,595	12,702,122	12,493,197	12,360,368
Unemployment	569,128	577,790	615,054	581,373	664,333
Percent Unemployment	4.1%	4.3%	4.6%	4.4%	5.1%

Source: Texas Workforce Commission; subject to revision.
(1) Data as of March 2018.

ECONOMIC INDICES, CITY OF ABILENE

Calendar Year	Building Permits	Water Utility Connections
2014	$ 162,354,746	39,577
2015	214,014,497	39,686
2016	199,481,455	40,132
2017	207,335,801	40,217
2018[(1)]	31,021,972	40,288

Source: The City.
(1) Figures as of March 31, 2018.

CITY OF ABILENE BUILDING PERMITS BY CLASSIFICATION

	Residential (Single-Family)		Business Industrial and	Schools and	Miscellaneous, Alterations and	
Year	Number of Units	Value	Apartments	Churches	Repairs	Total
2014	287	$ 59,965,773	$ 71,451,974	$ 9,949,897	$ 20,987,102	$ 162,354,746
2015	303	66,041,187	66,663,879	66,104,514	15,204,917	214,014,497
2016	297	55,243,040	62,630,706	61,381,750	20,225,959	199,481,455
2017	275	61,497,646	101,782,128	31,824,501	12,231,526	207,335,801
2018 [(1)]	102	21,824,063	5,633,057	659,450	2,905,402	31,021,972

(1) Figures as of March 31, 2018.

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TOP 25 EMPLOYERS

Company	Type of Business	Estimated Employees 2018
Dyess Air Force Base	Defense (Military/Civilian)	5,400
Hendrick Health System	Hospital	3,020
Abilene Independent School District	Public School	2,450
Abilene State Supported Living Center	Mental Health	1,240
City of Abilene	City	1,200
Texas Department of Criminal Justice	Correctional Facility	1,110
BlueCross BlueShield of Texas	Health Insurance Call Center	1,075
Abilene Christian University	Private University	930
Abilene Regional Medical Center	Hospital	830
First Financial Bank	Banking and Financial Services	550
Taylor County	County	530
Wylie Independent School District	Public Education	470
Hardin-Simmons University	Private University	425
AbiMar Foods	Food Manufacturing	410
Eagle Aviation Services	Aviation Mechanic	400
Rentech Boiler Systems and Services	Metal Fabrication	365
Cisco College	Public College	340
Coca-Cola Refreshments	Food Manufacturing	330
Abilene Diagnostic Clinic	Primary Care Physicians	300
US Postal Service	Postal Service and Distribution	255
Lauren Engineers	Engineers and Contractors	250
McMurry University	Private University	220
Betty Hardwick Center	Mental Health	210
Petrosmith	Metal Fabrication	205
Run Energy	Wind Energy	200

Source: Abilene Industrial Foundation

INDUSTRIAL/COMMERCIAL DEVELOPMENT

During the past several years, industrial and commercial development has consisted mostly of expansion of existing operations in the community.

Abimar Foods continues to expand its operations, producing and merchandising cookies and crackers through its two production plants in Abilene, Texas. These products are sold in 43 U.S. states, Mexico, Central America and the Caribbean. Since 2013, the company has expanded production, upgraded equipment, purchased additional equipment, made energy efficiency upgrades, employee safety upgrades, and environmental safety upgrades. Abimar Foods currently employs over 600 in Abilene. Abimar Foods also leases about 175,000 square feet of warehouse space in the Development Corporation of Abilene ("DCOA")-owned complex at 4109 Vine St. to accommodate its growth.

The DCOA began its relationship with Eagle Aviation Services, Inc. (EASI) in 1994 to establish its aircraft maintenance operation for American Eagle Airline's ATR fleet. EASI originally committed to 100 aircraft maintenance jobs and now operates Envoy's (formerly American Eagle) largest maintenance base, employing over 400 in Abilene. The company occupies 5 hangars for 5 dock lines and ancillary services, and a separate building for records and parts storage. The DCOA completed modifications to Hangar 1 and Hangar 0 to accommodate the servicing of the larger Embraer 175 regional jets flown by Envoy.

In 2016 Coca Cola completed a $32 million dollar expansion to its bottling facility in Abilene. This expansion has allowed the company to manufacture plastic bottles in the Abilene plant using injection molding and blow molding technology. Also, this project introduced new technology allowing the filling lines to operate faster and more efficiently. Currently, Coca Cola employees over 350 full time positions in Abilene.

The Five Points Business Park located in far west Abilene is an important asset for Abilene's industrial development and a useful tool in the DCOA's arsenal for recruitment of new and expansion of existing industry. The Park's location on I-20 with rail service available is very desirable for industries looking to expand or relocate operations to Abilene. In 2016, Prairie Dog Pet Products manufacturing completed a $30,000,000 finish out of a DCOA owned 100,000 square foot speculative building and the company currently employees 150 manufacturing and corporate jobs in Abilene.

In 2017, the DCOA cleared over 100 acres of land at our FM 18/HWY36 industrial location to accommodate future industry. Development on this land was previously encumbered by a thick growth of mesquite trees, which covered the entire 100 acres. Clearing was accomplished in such way as to leave 2-3 larger trees per acre, maintaining a more pleasant aesthetic look, while opening up the surrounding acreage for viewing and development. This new business park has been named Access Business Park.

In late 2017, the DCOA received an industrial lead from the Texas Governor's office interested in available sites to build an industrial size hydroponics facility. Abilene was selected in a national site search for innovative year-round sustainable hydroponic greenhouse farming operation.

BrightFarms, the No. 1 brand of locally grown pesticide-free and non-GMO greens and herbs, has selected Abilene as the site of its first hydroponic greenhouse farm in Texas. Construction is slated to begin this summer, and be fully operational by early 2019. The state-of-the-art 180,000 square foot hydroponic greenhouse will be constructed in Access Business Park. Access Business Park is being developed as Abilene's next generation business park and aims to be the home for new industry in the coming years. BrightFarms will create as many as 30 new jobs in the next 5 years. It is also estimated that the company will generate $23.1 million in direct economic output over the next 10 years.

Texas State Technical College (TSTC) is finishing its new West Texas Campus in Abilene and will begin enrolling students for the Fall of 2018. Texas State Technical College was authorized to issue revenue bonds for the construction of a new industrial workforce training campus in Abilene to offer affordable training, skills and placement for high-demand industrial jobs. The Abilene community agreed to assist with operations for the next 10 years in the amount of $6 million with the DCOA providing $4 million of the total. Also approved by the DCOA is $179,600 to assist TSTC with the purchase of 52 acres of land. This new campus will train the next generation of skilled workers, which will enable Abilene and the surrounding area to compete for the jobs of the future.

AGRICULTURE

Abilene is the center of a well-developed agricultural area. The major source of agricultural income is production and marketing of livestock. Principal crops are grain sorghums, wheat and cotton.

MINERAL PRODUCTION

Oil and natural gas are produced in an 18 county area surrounding Abilene.

Taylor County Statewide Onshore Oil & Gas Production
Annual Totals, 2014 - 2018

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2014	424,663	130,313	33,736	3
2015	385,507	135,953	26,794	44
2016	386,849	91,110	20,924	6
2017	420,553	128,118	18,176	-
2018(1)	59,442	30,282	2,747	-

Source: Texas Railroad Commission.
(1) Data through February 2018.

HIGHER EDUCATION - UNIVERSITIES AND COLLEGES

Abilene is home of three co-educational, liberal arts universities, and has extension campuses for Cisco Junior College and Texas State Technical College. Abilene Christian University, established in 1906, is closely affiliated with the Church of Christ and has an estimated enrollment of 4,460. The University is located on a campus of 208 acres, with an additional 500 acre experimental farm.

Hardin-Simmons University, originally established as Abilene Baptist College in 1891, is a coeducational, liberal arts university; the University is a church-related institution affiliated with the Baptist General Convention of Texas with estimated enrollment of over 2,200 each semester.

McMurry University is a coeducational, liberal arts college founded in 1923 by the Northwest Texas Conference of the Methodist Church and is now jointly owned and operated by the Northwest Texas and New Mexico Conferences of the United Methodist Church. The University enrolls an estimated 1,200 students each semester.

The Abilene Educational Center of Cisco Junior College, a State funded off-campus center of Cisco College District, Cisco, Texas, offers core academic programs at the junior college level leading to an associate degree and vocational-technical courses and maintains enrollment of approximately 2,800.

Texas State Technical College - Abilene Center is a State funded branch of the Texas State Technical College's Sweetwater, Texas, main campus. The college offers occupationally oriented programs in technical and vocational areas such as machining, automated office skills, electronics servicing, information management skills, drafting and design technology and others. Estimated enrollment per semester is 1,200.

The Anita Thigpen Perry Texas Tech School of Nursing and the Texas Tech School of Pharmacy have recently been located in the City as branches of the Texas Tech University Health Sciences Center and has an estimated enrollment of 560.

OTHER EDUCATIONAL INFORMATION

Abilene Independent School District, which includes approximately 90% of the City of Abilene, has a current enrollment of 16,840 and 2,450 employees including professional and other personnel.

GOVERNMENT AND MILITARY

Abilene is the location of more than 50 State and Federal offices and facilities including Dyess Air Force Base.

DYESS AIR FORCE BASE…Located in and adjacent to Abilene, is a 6,430 acre permanent base of the Air Combat Command. There are an estimated 5,400 military & civilian personnel at the base. Dyess is the home base for the 7th Wing of the Air Combat Command and the home base of the 317th Airlift Group. The Wing flies the B-1 bomber and the C-130. Annual economic impact on Abilene is in excess of $441 million. As the primary training base for the B-1 bomber, Dyess was not affected by the base closure program of the Department of Defense.

STATE PRISON…The Texas Department of Criminal Justice operates a maximum security State prison in Abilene. Designated the French Robertson Unit - Abilene, the prison, located in north Abilene on a 314 acre site donated by the City, opened in November, 1992. The prison has four 432-bed housing groups clustered around a central support core of administration, medical, education, laundry and food service facilities. A garment factory provides approximately 270 inmate jobs and produces inmate uniforms for State prison system use. The Unit has 2,746 inmates (max capacity at 2,984) and has an estimated 1,190 employees with an annual payroll in excess of $21 million. The City of Abilene provides water, sewer and sanitation services for the Unit at regular City commercial rates.

STATE TRANSFER FACILITY…The Texas Department of Criminal Justice operates a 2,128 inmate capacity transfer center on a site immediately east of the Robertson Unit. Designated the John W. Middleton Unit - Abilene, this transfer facility is designed to alleviate overcrowding of Texas county jails and serves as temporary housing for State inmates being processed into State prisons; inmates may be housed at a State transfer facility for not over 12 months before being moved to a State prison. The facility has an estimated 527 employees with 378 employees utilized for security. The City of Abilene provides water, sewer and sanitation services for the facility at regular City commercial rates.

HOSPITALS AND MEDICAL CARE

There are two major medical centers with a total of 850 licensed beds: Hendrick Health System and Abilene Regional Medical Center and two minor. Hendrick Medical Center operates an accredited nursing school. Hendrick Medical Center is the health services provider to the two State Department of Criminal Justice Units in Abilene.

Abilene has over 250 practicing physicians and surgeons (M.D.) and over 57 dentists. A radiology center for the treatment of malignant diseases is located in the City. West Texas Rehabilitation Center, a non-profit organization offering diagnostic, neurological and rehabilitation services to the handicapped, is located in Abilene.

RECREATION AND ENTERTAINMENT

The City of Abilene maintains numerous developed parks and six Golf Courses. The City of Abilene Convention Center and Taylor County Coliseum provide areas for community events, concerts, conventions, fairs and livestock shows. Also available to residents are Abilene Christian University, Hardin-Simmons University and McMurry University programs and events, the Morgan Jones Planetarium (owned and operated by the Abilene Independent School District), Abilene Symphony Orchestra, Abilene Community Theatre, Museums of Abilene, the Paramount Theater, City of Abilene Zoo, City of Abilene Library, the annual West Texas Fair and sporting events. Additionally available to residents and tourists is Frontier Texas!, The Grace Museum (Art Museum, History Museum, and Children's Museum), National Center for Children's Illustrated Literature (NCCIL), The Center for Contemporary Arts, Elks Arts Center, 12th Armored Division Memorial Museum, Dyess Air Force Base, Buffalo Gap Historical Village, Abilene State Park, Abilene Skate Park, Abilene Speedway, Abilene Ballet Theatre, Abilene Opera Association, Abilene Classical Chorus and Classical Youth Chorus, Texas Forts and Trail Visitor Center, Fort Phantom Hill, and Prime Time Entertainment (includes laser tag, miniature golf, electric go-carts, bumper cars, climbing wall, bowling lanes, arcade, and a coffee bar).

Abilene State Park, located 19 miles southwest of Abilene, contains 621 acres. Maintained and operated by the State of Texas, the park provides recreational and camping facilities.

CHURCHES

Abilene has over 100 churches representing all major denominations.

MEDIA

One daily newspaper.

Television and Radio - 4 network channels; cable provides multi-channel access including the Public Broadcasting System. There are several AM and FM radio stations.

UTILITY SERVICES

Water and Sewer - City of Abilene.
Electric – AEP Texas or alternatives.
Natural Gas – Atmos Energy

TRANSPORTATION

Abilene and Taylor County have a highway system which includes U.S. Interstate Highway 20, three U.S. highways, two State highways and a network of paved farm-to-market roads.

Rail transportation is furnished by the Union Pacific Railroad and the Southern Switching Company.

Airline transportation is furnished at Abilene Regional Airport with non-stop service provided primarily by Envoy (formerly known as American Eagle). Passenger enplanements for 2017 were 92,000. Airport facilities include a recently remodeled terminal, two lighted runways of 7,200' each suitable for jet aircraft and a 3,685' crosswind runway, complete taxiway system, a FAA control tower and instrument landing system and extensive general aviation services. Other major airport tenants include: Abilene Aero, which provides full service fixed base operator services including aircraft fueling and maintenance and Polasek Helicopter Services, which specializes in helicopter flight training and helicopter flying lessons. Texas State Technical College utilizes a renovated 34,000 square foot hangar at the Airport for teaching aviation maintenance technology and flight instruction. Eagle Aviation Services, Inc., a subsidiary of American Eagle, operates a major aircraft maintenance facility at the Airport. The City continues to make improvements to the airport to meet the demands of its growth.

<u>**APPENDIX B**</u>

EXCERPTS FROM THE

CITY OF ABILENE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the City of Abilene, Texas Annual Financial Report for the Year Ended September 30, 2017, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
Members of the City Council
City of Abilene, 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 the City of Abilene, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Abilene, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 15 and 58 through 62 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 of Abilene, Texas' basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations,* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements of the City of Abilene, Texas.

The combining and individual major and nonmajor fund financial statements, schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual major and nonmajor fund financial statements, schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018, on our consideration of the City of Abilene, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Abilene, Texas' internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
March 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ABILENE

CITY OF ABILENE

CITY OF ABILENE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2017

As management of the City of Abilene, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page I-3 of this report.

FINANCIAL HIGHLIGHTS

On a government wide basis the City's net position increased by $13 million or 4% as a result of operations. This increase was made up of a decrease in governmental activities net position of $1 million or 1% and our business-type activities which increased by $14 million or 7%.

The City's total revenues increased by $3 million or 2% which is the combined result of a $3 million decrease in governmental activities and $6 million increase in business-type activities revenue.

Total costs of all City programs increased by $7 million or 4%. Governmental activities increased by $5 million or 4% while business-type activities increased by $2 million or 3%.

The General Fund's revenues exceeded expenditures by $3.4 million reduced by net transfers of ($3) million, resulting in a net increase to fund balance of $.4 million or 2%.

On a budgetary-basis the City's General Fund revenues exceeded budget by $.8 million or 1% and total expenditures were below budgeted amounts by $1.8 million or 2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements - The government-wide financial statements are composed of the Statement of Net Position and Statement of Activities. These statements are designed to provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and liabilities using the accrual basis of accounting which is similar to private-sector businesses. All of the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the fiscal year.

Both of the government-wide financial statements are divided into three kinds of activities:

Governmental activities – The City's basic services that are financed by property, sales and franchise taxes as well as state and federal grants are reported here. The governmental activities of the City include general government, administrative services, finance, planning and development, economic development, public works, facilities and capital improvements, police, fire, community services, and transportation services.

Business-type activities – Fees charged to customers provide the majority of support for these type of activities. The business-type activities of the City include water and sewer services, solid waste services, stormwater services, and transit operations.

Component unit – This section includes entities that the City is financially accountable for even though they are legally separate. The City includes the Development Corporation of Abilene in this section.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds of the City, and are not representative of the City as a whole. Some funds are required to be established by law and by bond covenants. Other funds are established to maintain control and manage money for particular purposes or to show that it is meeting legal responsibilities. The City maintains three kinds of funds:

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City - these services are generally reported in proprietary funds.

Enterprise funds (a component of proprietary funds) are funds where the City charges customers for the services it provides. The enterprise funds are the same (with adjustment for internal service fund transactions) as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Internal Service funds (another component of proprietary funds) are funds where the City charges other departments for services on a cost reimbursement basis. These funds utilize the accrual basis of accounting. In the government wide financial statements the assets and liabilities have been included with either the governmental activities or the business activities section with interfund transactions eliminated. In addition, any gain or loss is allocated back to the fund considered the user. The reporting in the government wide financial statements is similar to a consolidation in the private sector. The City's Fleet Maintenance, Fleet Management, Self Insurance, and Technology Funds are consolidated with the governmental activities section while the Central Warehouse Fund is consolidated with business-type activities in the Statement of Net Position and Statement of Activities.

<u>Fiduciary Funds</u> - The City acts as the trustee, or fiduciary, for certain funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes and cannot use them to finance its operations. These funds are reported in the Statement of Fiduciary Net Position.

The fund financial statements can be found on pages 19-27.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-57.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules. The City of Abilene adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 58-62 of this report.

Combining and individual statements are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 63-116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For 2017 the total primary government's net position was $395 million, an increase of $13 million over 2016. However, the largest portion of the City's net position is the net investment in capital assets (land, building, equipment and infrastructure), which is $363 million. The net capital assets are not highly liquid; therefore they are not considered future available resources. An additional $8 million of net position is subject to external restrictions on how the money is to be used. The remaining portion of net position of $23 million may be used to meet the government's future obligations.

The analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

CITY OF ABILENE'S NET POSITION (in thousands)

	Governmental Activities 2017	Governmental Activities 2016	Business-Type Activities 2017	Business-Type Activities 2016	Total Primary Government 2017	Total Primary Government 2016
Current and other assets	$122,905	$120,367	$77,553	$73,344	$200,458	$193,711
Capital assets	261,439	237,538	380,392	368,698	641,831	606,236
Total Assets	384,344	357,905	457,945	442,042	842,289	799,947
Deferred outflow of resources	18,001	24,242	3,309	4,274	21,310	28,516
Other liabilities	14,775	13,166	8,987	12,378	$23,762	25,544
Noncurrent liabilities	208,011	188,522	236,973	233,131	444,984	421,653
Total Liabilities	222,786	201,688	245,960	245,509	468,746	447,197
Deferred inflow of resources	316	213	29	-	345	213
Net Position:						
Net investment in capital assets	192,230	184,493	170,683	154,439	362,913	338,932
Restricted	7,727	5,965	722	703	8,449	6,668
Unrestricted	(20,714)	(10,212)	43,860	45,665	23,146	35,453
Total Net Position	$179,243	$180,246	$215,265	$200,807	$394,508	$381,053

Governmental activities total assets increased by $26 million while total liabilities increased by $21 million. These changes are primarily the result of issuing $16 million of new general obligation bonds and $8 million of certificates of obligation, as well as grant funds received for significant improvements to the airport. As a result, current and other assets increased by $2 million, and net capital assets increased by another $24 million. Noncurrent liabilities increased by $19 million primarily due to the issuance of the new bonds as well as a $1.5 million increase in the net pension liability. See pages 43-49 for information on the City's pension plans.

Governmental activities net position decreased by $1 million or 1%. This decrease is primarily due to the $1.5 million increase in the City's net pension liability.

Business-type activities total assets increased by $16 million and total liabilities increased by $.5 million. These changes are attributable to issuance of debt along with an overall reduction of accounts payable. Business-type activities net position increased by $14 million or 7%. Net investment in capital assets increased by $16 million and unrestricted net position decreased by $2 million or 4%.

Changes in Net Position

During fiscal year 2017, the total net position of the City increased by $13 million. Governmental activities net position decreased by $1 million. Business-type activities net position increased by $14 million due to revenues exceeding expenses by $15 million before transfers out of $1 million. The following table summarizes the changes in net position:

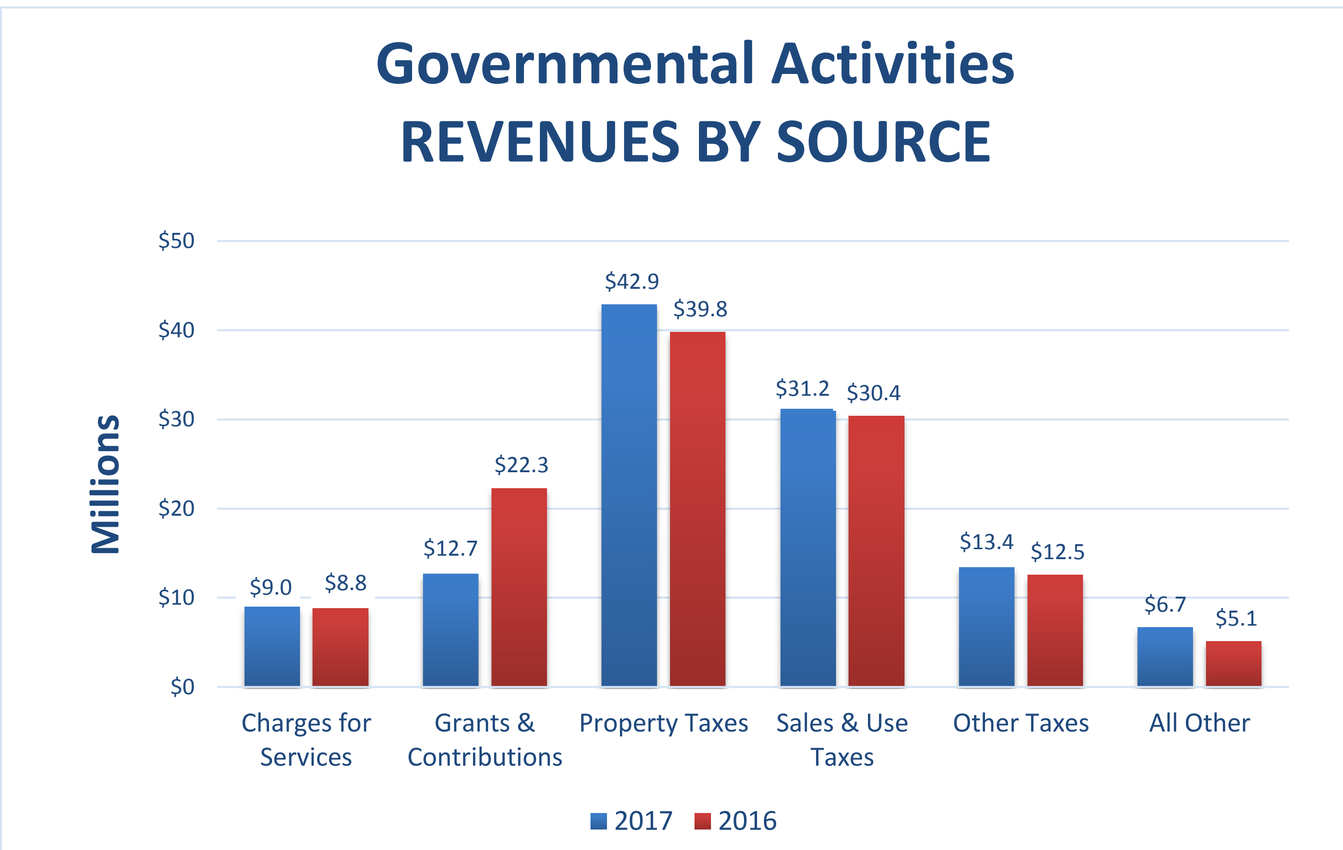
CITY OF ABILENE'S CHANGES IN NET POSITION (in thousands)

	Governmental Activities 2017	Governmental Activities 2016	Business-Type Activities 2017	Business-Type Activities 2016	Total Primary Government 2017	Total Primary Government 2016
Revenues:						
Program Revenues -						
Charges for services	$8,971	$8,797	$68,133	$62,653	$77,104	$71,450
Operating grants and contributions	4,244	3,967	1,804	1,451	6,048	5,418
Capital grants and contributions	8,438	18,317	2,438	2,200	10,876	20,517
General Revenues -						
Property taxes	42,886	39,768			42,886	39,768
Sales and use taxes	31,193	30,388			31,193	30,388
Franchise fees	7,471	7,697			7,471	7,697
Miscellaneous taxes	5,919	4,853			5,919	4,853
Investment earnings	748	361	406	282	1,154	643
Miscellaneous	5,089	4,773	831	782	5,920	5,555
Gain (loss) on sale/ retirement of capital assets	836		302	190	1,138	190
Total Revenues	115,795	118,921	73,914	67,558	189,709	186,479
Expenses:						
General Government	$5,697	$2,648			$5,697	$2,648
Administrative Services	3,244	3,142			3,244	3,142
Finance	9,271	9,135			9,271	9,135
Planning & Dev. Services	3,631	3,745			3,631	3,745
Economic Development	320	382			320	382
Public Works	10,739	9,932			10,739	9,932
Facilities and Cap Improvements	1,363				1,363	-
Police	31,331	30,268			31,331	30,268
Fire	23,581	23,706			23,581	23,706
Transportation Services	5,651	5,198			5,651	5,198
Community Services	19,284	21,174			19,284	21,174
Interest on long term debt	3,288	3,199			3,288	3,199
Water and Sewer			40,815	39,558	40,815	39,558
Solid Waste Services			11,458	11,276	11,458	11,276
Transit Services			4,231	4,023	4,231	4,023
Stormwater Services			2,350	2,263	2,350	2,263
Total Expenses	117,400	112,529	58,854	57,120	176,254	169,649
Increases in net position before transfers	(1,605)	6,392	15,060	10,438	13,455	16,830
Transfers	602	716	(602)	(716)		
Increase in net position	(1,003)	7,108	14,458	9,722	13,455	16,830
Net position - October 1	180,246	172,032	200,807	190,302	381,053	362,334
Prior period adjustment		1,106		783		1,889
Net position - September 30	$179,243	$180,246	$215,265	$200,807	$394,508	$381,053

Governmental Activities – Program Revenues and Expenses:

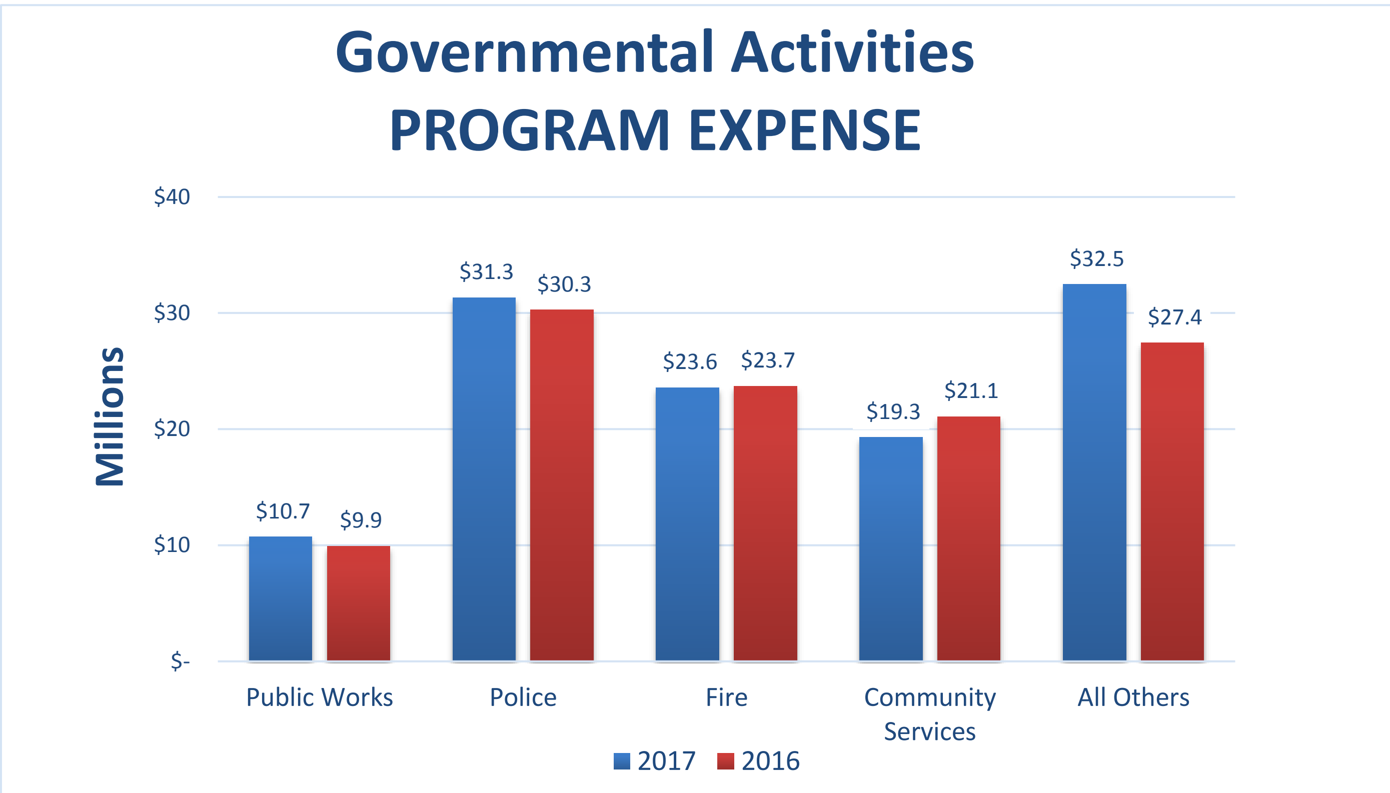
Governmental activities total revenues, both program and general, decreased by $3 million, or 3%. The key factors for this change from fiscal year 2016 to 2017 are as follows:

- Capital grants and contributions decreased by $10 million, due to decreased funding for Airport Improvement Program grants from the Federal Aviation Administration and private donations.
- The City's property net taxable values increased for 2017 by $400 million or 7%. The tax rate to finance general governmental services increased from $.5306 per $100 of assessed value in 2016 to $.5448 in 2017. The tax rate to finance the payment of long-term debt increased from $.1834 per $100 of assessed value to $.2017 in 2017. The combined tax rate increased from $.7140 per $100 of assessed value in 2016 to $.7465 per $100 of assessed value in 2017. The total effect the increase in taxable value along with the increase in tax rate was an overall increase of $3 million in property taxes collected.
- The City's sales taxes increased by $1 million or 3%.



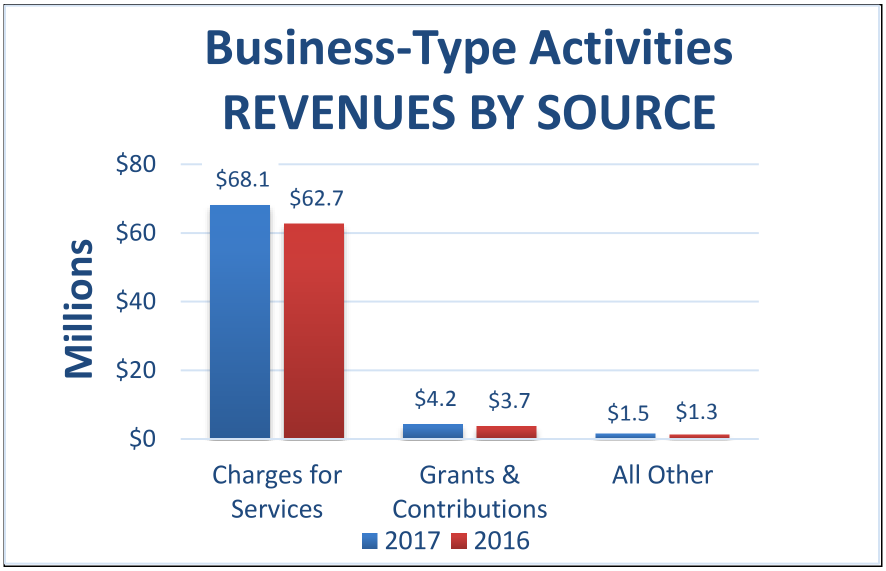
Governmental activities total expenses increased by $5 million, a 4% increase. The key factors for this increase are explained below:

- Expenses for governmental activities increased by $1.5 million due to an adjustment to the City's net pension liability.
- The Self Insurance Fund outstanding liability, health, and workers compensation claims increased by $2 million.
- Debt service costs increased by $1.4 million due to the issuance of debt for the 2015 Bond Projects.



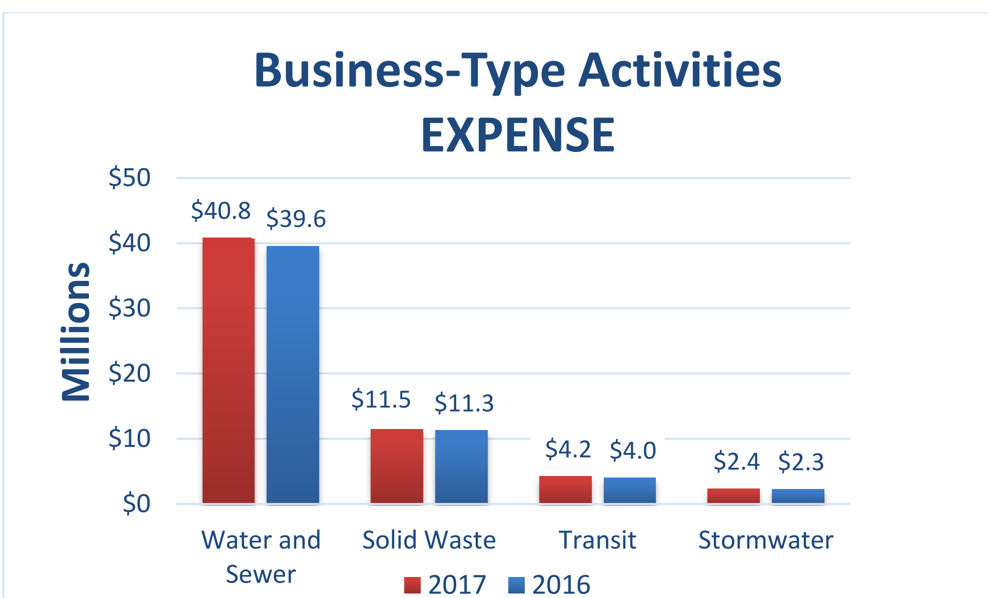
Business-type Activities - Program Revenues and Expenses:

Business-type activities revenues, both program and general, increased by $6 million or 9% primarily due to the impact of the increase in water rates that became effective January 2016.



Business-type activities expenses increased by $1.7 million or 3%.

- The Water and Sewer System expenses increased by $1.2 million or 3%. This increase is the result of increased depreciation expense resulting from a significant amount of construction projects being completed and capitalized during 2017.
- Solid Waste Services expenses increased by $.2 million or 2%, mostly attributable to an increase in landfill costs.
- Transit Services expenses increased by $.2 million or 5%, as a result of an increase in costs of services provided by First Transit, which by contract provides public transportation services to the City.



FUND FINANCIAL STATEMENTS

The City's fund financial statements beginning on page 19 show a combined fund balance in governmental funds of $89 million, which is a $.6 million increase from 2016. Fund balances are considered Nonspendable, Restricted, Assigned, or Unassigned. Nonspendable fund balances are not in a spendable form such as inventory or prepaid items. Restricted fund balances are required to be spent for specific purposes as set by the providers of the funds, through constitutional provisions, or by enabling legislation. Assigned fund balances represent funds that have been designated internally for specific purposes. Finally, Unassigned fund balances are amounts that are available for any purpose. Of the $89 million combined fund balance, $52 million is Restricted, $11 million is Assigned and $26 million is Unassigned.

The increase in total fund balance of $.6 million is in contrast to the $1 million decrease in governmental activities net position in the government wide financial statements. The differences between these two statements are reflected in the reconciliation presented on page 22. The primary differences are in the manner that capital assets, debt, and certain accruals are recorded between the two statements.

The following table summarizes the changes in fund balance for Governmental Funds:

CITY OF ABILENE'S CHANGES IN FUND BALANCE (in thousands)

	General Fund 2017	General Fund 2016	Debt Service 2017	Debt Service 2016	General Obligation Bonds Capital Project 2017	General Obligation Bonds Capital Project 2016	Nonmajor Governmental 2017	Nonmajor Governmental 2016	Total Governmental 2017	Total Governmental 2016
Revenues:										
Taxes	$72,496	$69,057	$11,351	$10,007			$3,577	$3,603	$87,424	$82,667
Intergovernmental	92	108					9,054	17,362	9,146	17,470
All other revenues	14,178	13,326	56	29	$251	$65	3,959	6,743	18,444	20,163
Total Revenues	86,766	82,491	11,407	10,036	251	65	16,590	27,708	115,014	120,300
Expenditures:										
Current	84,184	81,778			10	5	10,313	11,905	94,507	93,688
Debt Service			11,859	10,482	186	275	100	171	12,145	10,928
Capital Projects					19,894	11,377	13,477	17,636	33,371	29,013
Total Expenditures	84,184	81,778	11,859	10,482	20,090	11,657	23,890	29,712	140,023	133,629
Excess (Deficit) of Revenues Over Expenditures	2,582	713	(452)	(446)	(19,839)	(11,592)	(7,300)	(2,004)	(25,009)	(13,329)
Other Financing Sources (Uses)										
Issuance of debt (net of refundings)				149	15,929	28,716	9,364	2,054	25,293	30,919
Proceeds from sale of capital assets	836								836	0
Transfers in	3,497	3,818	606	497	700		4,071	3,619	8,874	7,934
Transfers out	(6,442)	(4,963)			(490)	(1,316)	(2,410)	(1,923)	(9,342)	(8,202)
Total Other Financing Sources (Uses)	(2,109)	(1,145)	606	646	16,139	27,400	11,025	3,750	25,661	30,651
Net Change in Fund Balances	473	(432)	154	200	(3,700)	15,808	3,725	1,746	652	17,322
Fund Balances Beginning of Year	26,459	26,891	1,688	1,488	39,012	23,204	21,561	19,815	88,720	71,398
Fund Balances End of Year	$26,932	$26,459	$1,842	$1,688	$35,312	$39,012	$25,286	$21,561	$89,372	$88,720

The primary reasons for the changes in the General Fund and Nonmajor Governmental Funds mirror the changes in the government wide statements as explained on pages 5-10. Other notable changes are as follows:

- General Fund total revenues increased by $4 million, while expenditures increased by over $2 million.
    - Property tax revenues increased by over $3 million and sales tax increased by $1 million. See the Government-Wide-Financial-Analysis for an explanation of this increase.
    - Current expenditures increased by $2 million or 3% primarily resulting from increases to certain personnel costs, including a 10% increase to the employer's contribution for health insurance and a slight increase to the City's Texas Municipal Retirement System contribution rate. Additional increases to personnel costs are attributed to an increase in Fire Department's authorized personnel by 10 and mandatory step pay increases for the Police Department.

- Debt Service Fund total revenues increased by $1 million.
    - The overall tax rate to fund debt service increased from $.1834 to $.2017 per $100 of assessed value in fiscal year 2017 to meet debt service requirements for the debt issued as part of the 2015 voter approved bond election.

- The General Obligation Bond Capital Project Fund's most significant change was the issuance of $16 million of bonds as the third phase of the voter approved $81 million in capital improvements. These projects are anticipated to be completed over the next two to four years.

- Nonmajor Governmental Funds total revenues decreased by $11 million and expenditures decreased by $6 million. These changes are a result of decreased funding from the Federal Aviation Administration for Airport Improvements.

The proprietary fund financial statements beginning on page 23 are consistent with the government wide financial statements with the exception that Internal Service Funds are included as a proprietary fund on page 23. Significant changes in the Internal Service Funds are as follows:

Net position of the Internal Service Funds decreased by $3 million or 13%.

- This decrease is the effect of a continued trend in higher health claims which the Self Insurance Fund was not able to recover with the 2017 rates of employer and employee contributions and an additional $.8 million contribution from the General Fund. Plan changes were made in 2017 and again in 2018 in an effort to offset these costs. Additionally, the Self Insurance Fund will receive contributions totaling $2 million from the General Fund, Water Utilities, Solid Waste, and the Fleet Management Fund in 2018 as a strategy to provide the Self Insurance Fund with adequate funding.

GENERAL FUND BUDGET HIGHLIGHTS

The City prepares its annual operating budget on a basis which differs from U.S. generally accepted accounting principles (GAAP basis). See Note 2 of the notes to financial statements for an explanation of these differences. The original General Fund budget was amended during the year which had the effect of increasing total revenues by $1.2 million; increasing total expenditures by $.4 million; and increasing net other financing sources (uses) by $(3) million. The final General Fund budget provided for a $1.7 million deficit to allow for use of excess fund balance above our operating reserve for one-time expenditures. Actual budget basis revenues, expenditures, and other financing sources (uses) for 2017 resulted in a positive increase in fund balance of $1 million.

The General Fund's actual budget basis total revenues were $87.4 million while budgeted total revenues were $86.6 million. The positive variance of $.8 million was due to sales tax exceeding expectations, in addition to sales of city owned property.

General Fund's actual budget basis expenditures before other financing sources (uses) were $83.6 million while budgeted expenditures were $85.4 million. The positive variance of $1.9 million was due to savings from personnel vacancies and continued conservative spending.

CAPITAL ASSETS

At the end of fiscal year 2017 the City had $642 million invested in capital assets, net of accumulated depreciation. These capital assets include land, building and improvements, improvements other than buildings, machinery and equipment, construction in progress, vehicles, infrastructure, and intangible assets such as software and water rights. See Note 5 in the notes to financial statements for additional detail of the capital assets.

The capital assets are summarized below:

Capital Assets, Net of Accumulated Depreciation/Amortization (in thousands)

	Governmental Activities 2017	Governmental Activities 2016	Business-Type Activities 2017	Business-Type Activities 2016	Total Primary Government 2017	Total Primary Government 2016
Land	$12,342	$12,185	$2,133	$2,133	$14,475	$14,318
Construction in progress	17,775	24,499	54,866	201,137	72,641	225,636
Buildings and improvements	43,658	40,473	166,346	46,156	210,004	86,629
Improvements other than buildings	103,256	79,515	135,703	98,011	238,959	177,526
Infrastructure	62,633	57,510			62,633	57,510
Machinery and equipment	3,066	3,905	3,023	2,910	6,089	6,815
Vehicles	18,205	19,250	1,048	582	19,253	19,832
Intangible Assets	505	201	17,273	17,769	17,778	17,970
Total	$261,440	$237,538	$380,392	$368,698	$641,832	$606,236

The City's capital asset additions for fiscal year 2017 (net of construction in progress retirements) for its governmental activities and business-type activities were $59 million.

Governmental activities capital additions (net of construction in progress retirements) were $39 million. The more significant additions were $19 million in airport improvements, $9 million for street and traffic improvements, $3 million in Convention Center improvements, $2 million for a new fire maintenance facility, and $6 million for an aquatics center. At year end Construction in Progress consisted primarily of $6 million for public safety facilities, $3 million of street and traffic improvements and $3 million of community services projects related to the bond projects with another $3 million for the new Law Enforcement Center.

Business-type activities capital additions (net of construction in progress retirements) were $20 million. The most significant additions of $11 million were related to the City's drought response project, with $6 million added to Construction in Progress. At year end Construction in Progress consisted primarily of the drought response projects and water treatment projects totaling $49 million.

LONG-TERM OBLIGATIONS

At year end the City had $ 445 million of long-term obligations, an increase of $23 million or 6%. The table below reflects the long term obligations at year end:

Long-Term Obligations (in thousands)

	Governmental Activities 2017	Governmental Activities 2016	Business-Type Activities 2017	Business-Type Activities 2016	Total Primary Government 2017	Total Primary Government 2016
General obligation bonds	$87,200	$79,795	$18,550	$21,525	$105,750	$101,320
Certificates of obligation	16,055	10,390	192,095	186,205	208,150	196,595
Contractual obligations	264				264	0
Bond premiums	11,296	8,338	20,096	19,248	31,392	27,586
Compensated absences	9,571	9,659	538	536	10,109	10,195
Liability for health claims	1,933	1,617			1,933	1,617
Workers compensation claims	2,939	2,460			2,939	2,460
Liability for property claims	1,944	1,048			1,944	1,048
Net pension liability	76,809	75,215	5,694	5,618	82,503	80,833
Total	$208,011	$188,522	$236,973	$233,132	$444,984	$421,654

During 2017 the City issued $16 million of general obligation bonds in the governmental activities as part of Phase 3 of the 2015 $81 million voter approved capital project improvements. Among other things, the bonds will fund $46 million of street improvements, $2.8 million of Civic Center improvements, $3.8 million of sidewalk improvements, $12.9 million for police and fire facility improvements, $1 million of Zoo improvements, $10 million of park improvements and $4.2 of airport improvements. These projects are expected to be completed over the next two to four years. To date, several street improvement projects have been completed, several fire facilities, a new aquatics center, as well as all the Convention Center improvements. In addition, the City issued $8 million of certificates of obligation to fund the construction of a new Law Enforcement Center and $11 million of certificates of obligation for water and sewer improvements.

See Note 8, pages 51-53, of the notes to financial statements for additional information on long-term obligations.

The City's bond ratings continue to be rated AA+ by Standard & Poor's and AA+ by Fitch Ratings.

ECONOMIC FACTORS AND FISCAL YEAR 2018

The City considered many factors in setting the fiscal year 2018 budget. Among those factors considered were a 4% increase in the City's assessed property tax values, flat sales tax revenues, and slight increases in charges for service, to reflect adjustments made to the current fee structure approved with the 2018 budget. In an effort to provide for the City's Self Insurance Fund, which has been met with increasing drug claims and significant health claims over the last two years, as well as provide for maintenance needs at the Convention Center, the City increased the General Fund operating tax rate by $.02 per $100 of assessed value to $.5648. The General Fund budgeted expenditures were set at $92.4 million, a $.5 million increase over 2017. Budgeted revenues were set at $92.4 million, a $2.2 million increase over 2017.

The Debt Service Fund tax rate for 2018 was increased from $.2017 per $100 of assessed value to $.2103 in response to newly issued general obligation and certificates of obligation during 2017.

During 2017, the Water and Sewer fund utilized their operating budget for planned significant one time capital expenditures. For fiscal year 2018 budgeted expenses are $56 million, a $4 million decrease over 2017. With no increase in water rates planned for 2018, budgeted revenues are $55.6 million, a $.2 million increase over 2017.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attention: Finance Director, P.O. Box 60, Abilene, Texas 79604, call (325) 676-6324, or e-mail at Mike.Rains@Abilenetx.gov.

CITY OF ABILENE

BASIC FINANCIAL STATEMENTS

CITY OF ABILENE

CITY OF ABILENE

CITY OF ABILENE, TEXAS **Exhibit A-1**
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Corporation of Abilene
ASSETS				
Cash and cash investments	$ 25,572,611	$ 13,576,527	$ 39,149,138	$ 6,470,581
Investments	30,080,455	29,594,001	59,674,456	14,320,544
Receivables:				
Accounts receivable, net	6,069,035	10,027,009	16,096,044	2,606,933
Delinquent taxes receivable, net	903,094	-	903,094	-
Internal balances	2,432,922	(2,432,922)	-	-
Due from other governments	6,637,265	422,729	7,059,994	1,834,074
Inventories - materials and supplies	349,120	1,245,906	1,595,026	-
Prepaid items	158,990	31,706	190,696	500
Restricted Assets:				
Cash and cash investments	47,318,548	23,311,301	70,629,849	-
Investments	1,523,531	1,776,779	3,300,310	-
Notes receivable	1,859,278	-	1,859,278	14,765,324
Capital assets not being depreciated	30,116,227	56,999,699	87,115,926	2,986,403
Capital assets net of accumulated depreciation	231,322,833	323,392,256	554,715,089	45,067,423
TOTAL ASSETS	384,343,909	457,944,991	842,288,900	88,051,782
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow of resources	18,001,335	3,309,452	21,310,787	-
LIABILITIES				
Accounts payable	8,502,012	2,682,552	11,184,564	290,211
Retainage payable	645,625	3,512,952	4,158,577	-
Accrued expenses	2,626,150	849,755	3,475,905	2,622,732
Accrued interest	552,225	1,207,447	1,759,672	-
Other deposits and liabilities	566,027	348,249	914,276	-
Unearned revenues	1,883,287	385,961	2,269,248	-
Noncurrent liabilities:			-	
Due within one year	13,338,506	8,384,189	21,722,695	-
Due in more than one year	194,672,427	228,588,727	423,261,154	-
TOTAL LIABILITIES	222,786,259	245,959,832	468,746,091	2,912,943
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	316,445	29,001	345,446	-
NET POSITION				
Net Investment in capital assets	192,230,299	170,683,229	362,913,528	48,053,826
Restricted for:				
Contractual obligations	-	-	-	9,229,677
Debt service	1,841,779	721,851	2,563,630	-
Capital projects	2,070,782	-	2,070,782	-
Public safety	1,172,998	-	1,172,998	-
Economic development	1,442,802	-	1,442,802	-
Community services	517,507	-	517,507	-
General government	463,328	-	463,328	-
Other purposes	217,282	-	217,282	-
Unrestricted	(20,714,237)	43,860,530	23,146,293	27,855,336
TOTAL NET POSITION	$ 179,242,540	$ 215,265,610	$ 394,508,150	$ 85,138,839

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

CITY OF ABILENE, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental activities:				
General Government	$ 5,697,500	$ 986,572	$ 187,445	$ -
Administrative Services	3,244,011	-	-	-
Finance	9,271,167	1,757,839	1,153	-
Planning and Development Services	3,631,386	1,159,403	1,431,489	-
Economic Development	319,717	-	-	-
Public Works	10,738,983	73,440	-	1,271,050
Facilities and Capital Improvements	1,362,684	-	-	-
Police	31,331,115	1,155,192	316,400	-
Fire	23,581,018	111,242	8,695	-
Transportation Services	5,651,388	1,995,832	33,450	4,174,106
Community Services	19,283,594	1,731,667	2,265,353	2,993,047
Interest and fees on long-term debt	3,288,053	-	-	-
Total governmental activities	117,400,616	8,971,187	4,243,985	8,438,203
Business-type activities				
Water and Sewer Services	40,815,109	52,133,145	-	1,478,819
Solid Waste Services	11,457,655	13,305,296	-	-
Transit Services	4,231,173	444,710	1,803,933	959,513
Stormwater Services	2,350,268	2,250,421	-	-
Total business-type activities	58,854,205	68,133,572	1,803,933	2,438,332
Total primary government	$ 176,254,821	$ 77,104,759	$ 6,047,918	$ 10,876,535
COMPONENT UNIT:				
Development Corporation of Abilene	$ 8,556,200	$ -	$ -	$ -

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales and use taxes
Franchise taxes
Occupancy tax
Other taxes
Investment earnings net of change in fair value of investments
Gain on sale of capital assets
Miscellaneous income

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, ending of year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Corporation of Abilene
$ (4,523,483)	$ -	$ (4,523,483)	$ -
(3,244,011)	-	(3,244,011)	-
(7,512,175)	-	(7,512,175)	-
(1,040,494)	-	(1,040,494)	-
(319,717)	-	(319,717)	-
(9,394,493)	-	(9,394,493)	-
(1,362,684)	-	(1,362,684)	-
(29,859,523)	-	(29,859,523)	-
(23,461,081)	-	(23,461,081)	-
552,000	-	552,000	-
(12,293,527)	-	(12,293,527)	-
(3,288,053)	-	(3,288,053)	-
(95,747,241)	-	(95,747,241)	-
-	12,796,855	12,796,855	-
-	1,847,641	1,847,641	-
-	(1,023,017)	(1,023,017)	-
-	(99,847)	(99,847)	-
-	13,521,632	13,521,632	-
$ (95,747,241)	$ 13,521,632	$ (82,225,609)	$ -
$ -	$ -	$ -	$ (8,556,200)
$ 31,535,225	$ -	$ 31,535,225	$ -
11,351,223	-	11,351,223	-
31,193,071	-	31,193,071	10,397,690
7,471,341	-	7,471,341	-
3,198,982	-	3,198,982	-
2,719,960	-	2,719,960	-
747,572	405,707	1,153,279	275,170
835,612	302,050	1,137,662	-
5,088,938	830,730	5,919,668	1,129,755
602,065	(602,065)	-	-
94,743,989	936,422	95,680,411	11,802,615
(1,003,252)	14,458,054	13,454,802	3,246,415
180,245,792	200,807,556	381,053,348	81,892,424
$ 179,242,540	$ 215,265,610	$ 394,508,150	$ 85,138,839

CITY OF ABILENE, TEXAS **Exhibit B-1**
Balance Sheet
Governmental Funds
September 30, 2017

	2017				
	General Fund	Debt Service Fund	General Obligation Bonds Capital Project Fund	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash investments	$ 15,510,733	$ -	$ -	$ 5,897,280	$ 21,408,013
Investments	9,454,269	-	-	11,412,187	20,866,456
Receivables (net):					
Accounts receivable	4,173,878	-	-	331,020	4,504,898
Property taxes receivable	903,094	-	-	-	903,094
Due from other funds	541,798	-	-	249,150	790,948
Due from other governments	5,555,051	-	-	1,082,214	6,637,265
Note receivable	-	-	-	1,859,278	1,859,278
Inventories - materials and supplies	4,071	-	-	-	4,071
Prepaid items	32,131	-	-	7,859	39,990
Restricted assets:					
Cash and cash investments	-	580,043	37,291,323	9,447,182	47,318,548
Investments	-	1,265,609	207,071	50,851	1,523,531
TOTAL ASSETS	$ 36,175,025	$ 1,845,652	$ 37,498,394	$ 30,337,021	$ 105,856,092
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 1,845,355	$ 2,200	$ 1,678,212	$ 1,859,051	$ 5,384,818
Retainage payable	-	-	508,435	137,190	645,625
Accrued expenditures	2,286,007	-	-	282,899	2,568,906
Due to other funds	1,489,579	1,673	-	503,305	1,994,557
Other deposits and liabilities	181,252	-	-	384,775	566,027
Unearned revenues	-	-	-	1,883,287	1,883,287
Total Liabilities	5,802,193	3,873	2,186,647	5,050,507	13,043,220
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue	3,441,304	-	-	-	3,441,304
FUND BALANCES:					
Non-spendable:					
Inventory	4,071	-	-	-	4,071
Prepaid items	32,131	-	-	7,859	39,990
Restricted for:					
Debt service	-	1,841,779	-	-	1,841,779
Capital projects	-	-	35,311,747	11,466,159	46,777,906
Other purposes	-	-	-	3,813,917	3,813,917
Assigned to:					
Capital projects	-	-	-	10,029,756	10,029,756
Other purposes	748,373	-	-	-	748,373
Unassigned	26,146,953	-	-	(31,177)	26,115,776
Total Fund Balances	26,931,528	1,841,779	35,311,747	25,286,514	89,371,568
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 36,175,025	$ 1,845,652	$ 37,498,394	$ 30,337,021	$ 105,856,092

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

CITY OF ABILENE, TEXAS **Exhibit B-1 Continued**

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

As of September 30, 2017

Total Fund Balances - Governmental Funds		$ 89,371,568
Amounts reported for governmental activities in the statement of net position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		
Governmental capital assets	$ 420,986,091	
Accumulated depreciation	(173,312,529)	
		247,673,562
Deferred outflows from refunding of debt represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.		899,920
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Unearned revenues	47,557	
Franchise taxes	936,732	
Property taxes	787,269	
Fines and forfeits	1,669,746	
		3,441,304
Internal service funds are used by management to charge the costs of certain activities, such as equipment services, office services, information services and self-insurance to individual funds. The assets and liabilities of most of the internal service funds are included in governmental activities in the statement of net position.		22,399,493
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	552,225	
Compensated absences	9,480,327	
General obligation bonds	87,200,000	
Certificates of obligation	16,055,000	
Contractual obligation	264,445	
Unamortized premiums on bonds and certificate of obligations	11,296,360	
		(124,848,357)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net pension liability	76,041,615	
Deferred outflows of resources	(16,529,185)	
Deferred inflows of resources	182,520	
		(59,694,950)
Net Position of Governmental Activities		$ 179,242,540

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

CITY OF ABILENE, TEXAS **Exhibit B-2**

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Year Ended September 30, 2017

	2017				
	General Fund	Debt Service Fund	General Obligation Bonds Capital Project Fund	Nonmajor Governmental	Total Governmental Funds
REVENUES:					
Taxes	$ 72,495,789	$ 11,351,223	$ -	$ 3,576,664	$ 87,423,676
Licenses and permits	1,314,897	-	-	118,012	1,432,909
Fines and forfeitures	1,484,462	-	-	144,372	1,628,834
Charges for services	4,477,775	-	-	653,032	5,130,807
Intergovernmental revenues	91,711	-	-	9,053,730	9,145,441
Assessments/Passenger Facility Charge	-	-	-	577,054	577,054
Investment earnings net of change in fair value of investments	233,315	26,891	250,704	157,640	668,550
Miscellaneous	6,668,843	28,544	-	2,309,513	9,006,900
Total Revenues	86,766,792	11,406,658	250,704	16,590,017	115,014,171
EXPENDITURES:					
Current:					
General Government	4,570,773	-	-	428,162	4,998,935
Administrative Services	3,093,545	-	-	-	3,093,545
Finance	5,692,057	-	1,245	3,422,367	9,115,669
Planning and Development Services	2,118,591	-	-	1,334,716	3,453,307
Public Works	6,810,897	-	6,890	1,200	6,818,987
Facilities and Capital Improvements	1,385,754	-	-	-	1,385,754
Police	27,748,927	-	-	539,627	28,288,554
Fire	19,256,979	-	2,105	9,012	19,268,096
Transportation Services	1,941,925	-	-	-	1,941,925
Community Services	11,564,539	-	-	4,578,048	16,142,587
Debt Service:					
Principal	-	8,420,000	-	-	8,420,000
Interest	-	3,236,050	-	-	3,236,050
Fees and other charges	-	203,319	186,178	100,315	489,812
Capital projects	-	-	19,893,560	13,476,719	33,370,279
Total expenditures	84,183,987	11,859,369	20,089,978	23,890,166	140,023,500
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	2,582,805	(452,711)	(19,839,274)	(7,300,149)	(25,009,329)
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	13,660,000	8,094,445	21,754,445
Bond premium	-	-	2,268,987	1,270,484	3,539,471
Proceeds from sale of capital assets	835,612	-	-	-	835,612
Transfers in	3,496,591	605,965	700,000	4,071,007	8,873,563
Transfers out	(6,442,242)	-	(490,272)	(2,410,391)	(9,342,905)
Total Other Financing Sources (Uses)	(2,110,039)	605,965	16,138,715	11,025,545	25,660,186
NET CHANGE IN FUND BALANCES	472,766	153,254	(3,700,559)	3,725,396	650,857
FUND BALANCES BEGINNING OF YEAR	26,458,762	1,688,525	39,012,306	21,561,118	88,720,711
FUND BALANCES END OF YEAR	$ 26,931,528	$ 1,841,779	$ 35,311,747	$ 25,286,514	$ 89,371,568

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

CITY OF ABILENE, TEXAS **Exhibit B-2 Continued**

Reconciliation of Statement of Revenues, Expenditures and Change
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net Change in Fund Balances - Governmental Funds		$ 650,857
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital acquisition	$ 36,988,257	
Depreciation	(12,433,600)	
		24,554,657
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment is to recognize the net change in "unavailable" revenue.		
Franchise Taxes	(23,217)	
Property Taxes	69,343	
Fines and forfeits	200,320	
Miscellaneous revenue	42,210	
		288,656
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of bonds	(21,754,445)	
Bond premiums	(3,539,471)	
Principal repayments	8,420,000	
Amortization of bond premiums	505,741	
		(16,368,175)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	84,542	
Change in accrued interest payable	(67,932)	
		16,610
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(7,731,560)
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, equipment replacement, information service and self-insurance to individual funds. The change in net position of most of the internal service funds are reported by function within governmental activities.		(2,414,297)
Change in Net Position of Governmental Activities		$ (1,003,252)

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

CITY OF ABILENE, TEXAS **Exhibit B-3**
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business- type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
CURRENT ASSETS:					
Cash and cash investments	$ 11,777,115	$ 1,048,128	$ 594,148	$ 13,419,391	$ 4,321,734
Investments	25,615,585	2,318,336	1,312,721	29,246,642	9,561,358
Accounts receivable	12,391,271	3,838,831	457,307	16,687,409	1,564,137
Less allowance for uncollectibles	(4,567,012)	(1,920,880)	(172,508)	(6,660,400)	-
Due from other funds	-	-	-	-	1,509,022
Due from other governments	-	-	422,729	422,729	-
Prepaid items	31,706	-	-	31,706	119,000
Inventories - materials and supplies	-	-	339,841	339,841	1,251,114
Restricted assets:					
Cash and cash investments	23,311,301	-	-	23,311,301	-
Investments	1,776,779	-	-	1,776,779	-
Total Current Assets	70,336,745	5,284,415	2,954,238	78,575,398	18,326,365
NONCURRENT ASSETS:					
Capital assets:					
Construction in progress	54,866,282	-	-	54,866,282	-
Land	1,546,673	202,506	384,238	2,133,417	-
Building and improvements	411,201,398	291,872	1,696,566	413,189,836	-
Machinery and equipment	9,796,260	2,911,930	7,351,364	20,059,554	39,040,751
Intangible assets	31,621,055	-	281,848	31,902,903	-
Accumulated depreciation	(132,052,825)	(1,929,124)	(7,778,088)	(141,760,037)	(25,275,253)
Net Capital Assets	376,978,843	1,477,184	1,935,928	380,391,955	13,765,498
Total Noncurrent Assets	376,978,843	1,477,184	1,935,928	380,391,955	13,765,498
TOTAL ASSETS	447,315,588	6,761,599	4,890,166	458,967,353	32,091,863
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow of resources	2,267,298	790,599	251,555	3,309,452	441,277
CURRENT LIABILITIES:					
Accounts payable	2,130,448	328,921	195,382	2,654,751	3,144,995
Retainage payable	3,512,952	-	-	3,512,952	-
Accrued expenses	244,803	577,658	27,294	849,755	57,244
Compensated absences	80,373	35,307	8,509	124,189	24,482
Accrued interest	1,207,447	-	-	1,207,447	-
Due to other funds	56,263	-	-	56,263	249,150
Other deposits and liabilities	348,249	-	-	348,249	-
Bonds payable	8,260,000	-	-	8,260,000	-
Estimated liability claims	-	-	-	-	1,944,272
Estimated health claims	-	-	-	-	1,933,283
Total Current Liabilities Payable from Current Assets	15,840,535	941,886	231,185	17,013,606	7,353,426
NON-CURRENT LIABILITIES:					
Compensated absences	277,462	120,531	15,515	413,508	65,900
Unearned revenue	385,961	-	-	385,961	-
Estimated liability claims	-	-	-	-	2,938,349
Bonds payable	222,481,046	-	-	222,481,046	-
Net pension liability	3,838,767	1,407,549	447,857	5,694,173	766,900
Total Non-Current Liabilities	226,983,236	1,528,080	463,372	228,974,688	3,771,149
Total Liabilities	242,823,771	2,469,966	694,557	245,988,294	11,124,575
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow of resources	19,551	7,169	2,281	29,001	2,972
NET POSITION:					
Net investment in capital assets	167,270,117	1,477,184	1,935,928	170,683,229	13,765,498
Restricted for debt service	721,851	-	-	721,851	-
Unrestricted	38,747,596	3,597,879	2,508,955	44,854,430	7,640,095
TOTAL NET POSITION	$ 206,739,564	$ 5,075,063	$ 4,444,883	$ 216,259,510	$ 21,405,593
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - Central Warehouse					
Allocation of Internal Service funds net position				(993,900)	
Net position of business-type activities				$ 215,265,610	

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

CITY OF ABILENE, TEXAS **Exhibit B-4**

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES:					
Charges for services	$ 51,695,474	$ 13,305,296	$ 2,695,131	$ 67,695,901	$ 22,348,435
Other	437,671	-	-	437,671	-
Total Operating Revenues	52,133,145	13,305,296	2,695,131	68,133,572	22,348,435
OPERATING EXPENSES:					
Personnel services	8,738,102	3,247,468	990,545	12,976,115	1,968,587
Supplies	2,670,160	48,233	396,321	3,114,714	4,146,615
Maintenance	2,048,759	161,369	138,746	2,348,874	2,265,068
Other services and charges	17,185,879	7,481,733	4,469,687	29,137,299	16,148,588
Depreciation	7,523,726	234,835	488,768	8,247,329	2,279,166
Total Operating Expenses	38,166,626	11,173,638	6,484,067	55,824,331	26,808,024
OPERATING INCOME (LOSS)	13,966,519	2,131,658	(3,788,936)	12,309,241	(4,459,589)
NON-OPERATING REVENUES (EXPENSES):					
Investment earnings net of change in fair value of investments	371,422	21,623	9,215	402,260	82,468
Intergovernmental revenue	-	-	1,803,933	1,803,933	-
Rents and royalties	218,508	-	-	218,508	-
Net gain (loss) on disposal of assets	302,050	-	-	302,050	(181,019)
Interest expense and paying agent fees	(2,176,399)	-	-	(2,176,399)	-
Miscellaneous revenue	519,297	-	92,925	612,222	47,375
Total Non-Operating Revenues (Expenses)	(765,122)	21,623	1,906,073	1,162,574	(51,176)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	13,201,397	2,153,281	(1,882,863)	13,471,815	(4,510,765)
CONTRIBUTIONS AND TRANSFERS:					
Capital contributions	1,478,819	-	959,513	2,438,332	175,035
Transfers in	-	-	1,473,585	1,473,585	1,071,407
Transfers out	(38,160)	(2,037,490)	-	(2,075,650)	-
Net Contributions and Transfers	1,440,659	(2,037,490)	2,433,098	1,836,267	1,246,442
CHANGE IN NET POSITION	14,642,056	115,791	550,235	15,308,082	(3,264,323)
NET POSITION, BEGINNING OF YEAR	192,097,508	4,959,272	3,894,648	200,951,428	24,669,916
NET POSITION AT END OF YEAR	$ 206,739,564	$ 5,075,063	$ 4,444,883	$ 216,259,510	$ 21,405,593

Change in net position of the enterprise funds	15,308,082
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - Central Warehouse	(850,028)
Change in net position of business-type activities	$ 14,458,054

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

CITY OF ABILENE, TEXAS
Statement of Cash Flow
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	$ 51,717,571	$ 13,114,631	$ 2,747,757	$ 67,579,959	$ 2,272,744
Receipts from interfund services provided	-	-	-	-	18,994,393
Payments to suppliers	(14,545,934)	(3,033,986)	(3,766,090)	(21,346,010)	(7,291,245)
Payments to employees	(8,057,647)	(3,006,591)	(925,886)	(11,990,124)	(1,845,661)
Payments for loss claims	-	-	-	-	(11,977,431)
Payments for interfund services used	(7,491,469)	(4,574,031)	(1,124,425)	(13,189,925)	(267,104)
Net cash provided (used) by operating activities	21,622,521	2,500,023	(3,068,644)	21,053,900	(114,304)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenues	-	-	1,841,158	1,841,158	-
Transfers in	-	-	1,473,585	1,473,585	1,071,407
Transfers out	-	(2,037,490)	-	(2,037,490)	-
Decrease in due from other funds	-	-	-	-	(765,233)
Increase in due to other funds	(4,769)	-	-	(4,769)	-
Net cash provided (used) by noncapital financing activities	(4,769)	(2,037,490)	3,314,743	1,272,484	306,174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of bonds	10,740,000	-	-	10,740,000	-
Proceeds from bond premium	1,742,998	-	-	1,742,998	-
Bond issuance costs	(132,765)	-	-	(132,765)	-
Principal paid on contractual obligations	(7,825,000)	-	-	(7,825,000)	-
Interest and paying agent fees	(9,214,252)	-	-	(9,214,252)	-
Acquisition and construction of capital assets	(14,762,480)	(222,928)	(984,923)	(15,970,331)	(1,688,515)
Proceeds from sale / disposition of equipment	302,050	-	-	302,050	56,733
Transfers out	(38,160)	-	-	(38,160)	-
Proceeds from capital grants	-	-	959,513	959,513	-
Net cash provided (used) by capital and related financing activities	(19,187,609)	(222,928)	(25,410)	(19,435,947)	(1,631,782)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Cash from (paid to) pooled investments	(7,517,603)	(739,772)	(460,896)	(8,718,271)	(1,814,062)
Interest on investments	371,422	21,623	9,215	402,260	82,468
Net cash provided (used) by investing activities	(7,146,181)	(718,149)	(451,681)	(8,316,011)	(1,731,594)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,716,038)	(478,544)	(230,992)	(5,425,574)	(3,171,506)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,804,454	1,526,672	825,140	42,156,266	7,493,240
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 35,088,416	$ 1,048,128	$ 594,148	$ 36,730,692	$ 4,321,734
RECONCILIATION OF CASH AND CASH EQUIVALENTS:					
Current assets:					
Cash and cash investments	$ 11,777,115	$ 1,048,128	$ 594,148	$ 13,419,391	$ 4,321,734
Restricted assets - cash and cash investments	23,311,301	-	-	23,311,301	-
	$ 35,088,416	$ 1,048,128	$ 594,148	$ 36,730,692	$ 4,321,734

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

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 13,966,519	$ 2,131,658	$ (3,788,936)	$ 12,309,241	$ (4,459,589)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	7,523,726	234,835	488,768	8,247,329	2,279,166
Miscellaneous revenue	519,297	-	92,925	612,222	47,375
Rents and royalties	218,508	-	-	218,508	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(1,539,340)	(190,665)	(40,299)	(1,770,304)	(1,128,673)
Prepaid items	-	-	-	-	(11,835)
Inventory	-	-	(10,946)	(10,946)	(104,508)
Pension related deferred outflows	639,354	234,429	74,591	948,374	117,828
Increase (decrease) in:					
Accounts payable	(135,973)	55,445	125,185	44,657	1,200,522
Accrued wages	(40,854)	(20,166)	(8,348)	(69,368)	(3,569)
Due to other funds	-	-	-	-	249,150
Compensated absences	11,201	670	(9,839)	2,032	(3,692)
Unearned revenue	385,961	-	-	385,961	-
Other deposits and liabilities	3,368	27,873	-	31,241	-
Estimated liability and health claims	-	-	-	-	1,691,162
Net pension liability	51,203	18,775	5,974	75,952	9,387
Pension related deferred inflows	19,551	7,169	2,281	29,001	2,972
Net cash provided (used) by operating activities	$ 21,622,521	$ 2,500,023	$ (3,068,644)	$ 21,053,900	$ (114,304)
NONCASH TRANSACTIONS:					
Capital contributions from developers	$ 1,478,819	$ -	$ -	$ 1,478,819	$ -
Capital contribution from other funds	-	-	-	-	175,035

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

CITY OF ABILENE, TEXAS **Exhibit B-6**
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

		Agency Funds
ASSETS		
Cash and cash investments	$	1,988,928
Investments		4,167,872
Accounts receivable		128,594
TOTAL ASSETS	$	6,285,394
LIABILITIES		
Accounts payable	$	141,897
Other deposits and liabilities		6,143,497
TOTAL LIABILITIES	$	6,285,394

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

CITY OF ABILENE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City of Abilene, Texas (the "City") is a municipal corporation incorporated under Article XI, Section 5, of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, morals, comfort, safety and convenience of the City and its citizens.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

Reporting Entity

The basic financial statements present the City and its component units and include all activities, organizations and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name)
- 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's major activities or functions include police and fire protection, parks and libraries, public health and social services, planning and zoning and general administrative services. In addition, the City operates four major enterprise activities - the water and sewer utility system, the solid waste services, stormwater, and the transit system. These activities are included in the accompanying financial statements.

Blended Component Units

Blended component units, although legally separate entities, are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively. Blended component units of the City include the Abilene Reinvestment Zone #1 and the Abilene Tax Increment Reinvestment Zone #2 described below.

On December 2, 1982, the City, with the advice and consent of the Abilene Independent School District, Taylor County and West Central Texas Municipal Water District, approved the creation of a tax increment zone (Abilene Reinvestment Zone #1) as permitted by Article 1066e, of the State of Texas Tax Increment Financing Act of 1981, as amended. The area of the Zone is approximately 235 acres and includes the central business district of the City. The purpose of the Zone is to capture increments of growth in real property values in the Zone from base values established on January 1, 1983, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The City has financial accountability because it has operational responsibility for the Zone. The Abilene Reinvestment Zone #1 is reported as a special revenue fund. The Zone terminated on December 31, 2007, and the City has been designated as the fiscal and administrative agent for all activities necessary to complete projects designated by the Board of Directors of the Zone. Any money remaining in the Abilene Reinvestment Zone after completion of the designated projects will be paid to the participating taxing entities on a pro rata basis.

On December 5, 2013, the City approved the creation of a tax increment zone (Abilene Tax Increment Reinvestment Zone #2) as permitted by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code. The area of the Zone is approximately 1,594 acres within downtown, and along the Pine Street and Ambler Ave corridors. The purpose of the TIRZ#2 is to capture increments of growth in real property values in the Zone from base values established on January 1, 2013, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The City has financial accountability because it has operational responsibility for the Zone. The Abilene Tax Increment Reinvestment Zone #2 is reported as a special revenue fund.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the City's other component unit. It is reported in a separate column to emphasize that it is legally separate from the City.

The Development Corporation of Abilene (DCOA) is a legally separate non-profit economic development corporation created in 1989 by the authority of the Development Corporation Act of 1979 (Tex.Rev.Civ.Stat. art.5190.6). DCOA's purpose is to promote the City, assist developing companies, help create jobs in the Abilene area and administer the one-half cent sales tax for economic development. DCOA is governed by a board appointed by the City Council. DCOA's powers are subject at all times to the City Council's ultimate control. DCOA is reported as a discretely presented component unit. DCOA is audited as part of the City. The City issues a separate annual financial report with supplemental information for the DCOA. Separate annual financial reports for the DCOA are available through the City.

Related Organizations

Civic Abilene, Inc. (the "Civic Center") is a non-profit corporation governed by a fifteen member board of directors appointed by the City Council. The Civic Center is organized to foster and promote the presentation in the City of educational and cultural programs, attractions, and entertainment for the people of the City and the surrounding area. The primary receipts and disbursements are ticket sales and catering for events held at the Civic Center and the payment to the promoters for the events. The operations of the Civic Center are considered to be immaterial to the City's financial statements and therefore, are not included in the accompanying financial statements.

The Abilene Firemen's Relief and Retirement Fund (the "Fund") is established and controlled through various State of Texas legislative enactments. The Fund is administered locally by a seven member board, independent of the City Council. City management does not influence or control the Fund, and the City is not financially accountable for the fund. The seven-member Board of Trustees, composed of the Mayor (or his designee) and Chief Financial Officer, three firefighters elected by majority vote of firefighters and two citizens, who must be appointed unanimously by the first five trustees, are subject to the administrative supervision of and report to the State Firemen's Pension Commissioner. The Pension Fund is funded by contributions from the firefighters and City matching contributions. As provided by enabling legislation, the City's responsibility to the AFRR fund is limited to matching bi-weekly contributions made by the members. Title to assets is vested in the AFRR Fund and not the City. The Texas State Pension Review Board is mandated to oversee all Texas public retirement systems in regard to their actuarial soundness and compliance with state law. The activities of the Firemen's Relief and Retirement Fund are not a part of the City and thus are excluded from the accompanying financial statements. Separate audited financial statements may be obtained from the AFRR Fund or from the City.

The Abilene Housing Authority (the Authority) was created in 1971 as a public body corporate and politic pursuant to the Constitution and laws of the State of Texas, particularly the Housing Authorities Law, Article 1269k, Vernon's Annotated Texas Civil Statutes (now codified as Chapter 392 of the Local Government Code). The Authority was authorized by a duly adopted and proper resolution of the Abilene City Council to transact business and exercise its powers under the Housing Authorities Law. The powers of the Authority are vested in the commissioners of the Authority, who are appointed by the City Council. The purpose of the Authority is to provide affordable housing to qualified residents within the City. The City appoints the governing body of the Authority. However, it is not financially accountable for the Authority, because the Authority's operations are subsidized by the federal government, it sets its own budget subject to federal approval, sets its rental rate, and it can issue debt in its own name. The City is not responsible for deficits or liabilities of the Authority. The operations of the Authority are not a part of the City and thus are excluded from the accompanying financial statements.

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 of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* 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 revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 revenues 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 meet. The fiduciary funds of the City are agency funds and as such have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental Funds

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 government considers revenues to be available if they are 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. This fund is used to account for all financial resources except those required to be accounted for in another fund.
Debt Service Fund – 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.
General Obligation Bonds Capital Project Fund - The function of this fund is to account for financial resources to be used for the acquisition or construction of capital improvements financed with general obligation bonds.

Additionally, the government reports the following nonmajor governmental fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditures for specified purposes.
Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Proprietary funds are those used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. The accounting objectives are determinations of operating income, changes in net position, financial position and cash flow. All assets, deferred outflows, liabilities, and deferred inflows are included on the statement of net position.

The City reports the following major proprietary funds:

Water and Sewer – The Water and Sewer Fund accounts for the revenues and expense associated with providing water and sewer services to the citizens of the City of Abilene.
Solid Waste Services - The Solid Waste Services Fund accounts for the revenues and expense associated with providing garbage removal services to the citizens of the City of Abilene.

Additionally, the City reports the following non-major proprietary funds:

Non-major Enterprise Fund – Transit – The Transit fund accounts for the revenues and expenses associated with providing transit services to the citizens of the City of Abilene.
Non-major Enterprise Fund – Stormwater – The Stormwater fund accounts for the revenues and expenses associated with providing quality and quantity of stormwater runoff due to ever-evolving regulations.
Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The internal service funds of the City include fleet maintenance, fleet replacement, self-insurance, technology services, and the central warehouse.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units.

Agency Funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds include venue taxes collected for other taxing entities and fees collected for the Abilene/Taylor County 911 Emergency Communication District. These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Interfund Activity

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Program Revenue

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

Operating and Nonoperating Items

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 enterprise and internal service funds are charges for services. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Balance Flow Assumption

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application (GASB Statement No. 72), establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date under current market conditions.

GASB Statement No. 72 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
Level 2 Inputs other than quotes prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs to the valuation methodology are unobservable.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Assets, Liabilities, and Net Position or Equity

Cash Equivalents and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments with an original maturity of 90 days or less are considered to be cash equivalents for the purposes of the statement of cash flows. Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

Investment valuation techniques are used to determine fair value. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017.

Certificates of Deposit: Valued at acquisition cost at time of purchase.

U.S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2017:

Assets at Fair Value as of September 30, 2017

	Level 1	Level 2	Level 3	Total
U.S. Government Securities	$81,279,092	-	-	$81,279,092
Total assets at fair value	$81,279,092	-	-	$81,279,092

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.

Inventories and Prepaid Items

Inventories are stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds. Cost is determined for inventories in the Internal Service Fleet Maintenance Fund and Central Warehouse Fund using the average cost method. The Fleet Maintenance Fund's oil and gas inventory and the Transit Fund's inventory are valued at cost.

All inventory purchases are recorded as inventory acquisitions (current assets) at the time of purchase. For all funds, the expenditure or expense is recognized when inventory is issued or consumed.

Prepaid items, recorded in both government-wide and fund financial statements, are goods or services that are paid for in advance and are applicable to future accounting periods. Using the consumption method, prepaid items are recorded as expenditures (governmental fund types) or expenses (proprietary fund types) as the goods or services are used. On the government-wide statement of activities, consumption of prepaid items is recorded as an expense.

Inventories and prepaid items reported in the General Fund and Special Revenue Funds are offset by nonspendable fund balance, which indicates that these items do not represent available expendable resources even though they are a component of current assets.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position due to their use being limited by applicable bond covenants. The capital project funds record proceeds of debt issuances restricted for construction. The Debt Service Fund is used to segregate resources accumulated for debt service payments over the next 12 months.

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 as well as in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 for machinery and equipment and more than $20,000 for buildings and improvements, and an estimated useful life of two years or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to operations as incurred. Improvements and betterments which materially extend the useful lives of capital assets are capitalized.

Depreciation of property, plant and equipment is generally provided by the straight-line method over the estimated useful lives of the respective assets. Depreciation of vehicles and heavy equipment recorded in the Internal Service Funds is generally based on annual mileage and machine-hours, respectively. Estimated useful lives for straight-line depreciation are as follows:

Enterprise Funds:	
Water and Sewer:	
Buildings and improvements	5 - 50 years
Transmission and distribution system	5 - 60 years
Other machinery and equipment	5 - 50 years
Intangibles	5 - 50 years
Transit:	
Buildings and improvements	10 - 30 years
Machinery and equipment	5 - 10 years
Internal Service Funds:	
Buildings and improvements	25 years
Machinery and equipment	2 - 20 years
Governmental Type Funds:	
Buildings and improvements	30-50 years
Improvements other than buildings	10–30 years
Machinery and equipment	3-15 years
Infrastructure	20-50 years
Intangibles	4-20 years

The business-type activities and proprietary funds capitalize interest costs during construction. Interest capitalized in the Water and Sewer Fund during the year ended September 30, 2017 was $6,319,357.

Contributions of funds from Federal, State, or local grants restricted for the purpose of purchasing property, plant and equipment are recorded as capital contributions when received. The cost of water and sewer lines installed by developers is estimated by City engineers and recorded as capital contributions in the Water and Sewer Fund.

Public domain capital assets (infrastructure) consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and similar assets are capitalized and depreciated.

Intangible assets include the amortized cost of two water rights contracts totaling $31,453,175 the City has entered into with the West Central Texas Municipal Water District ("WCTMWD"). Under the first City-WCTMWD agreement, dated September 29, 1959 and amended on August 22, 1985, the City is entitled to a maximum of 31,000,000 gallons of water per day from the Hubbard Creek Reservoir. In September 1985 the City entered into a contract with the West Central Texas Municipal Water District for a fifty-year assured water supply agreement to obtain a 16.54% interest in the O.H. Ivie Reservoir water rights. The asset amortization period is 50 years.

Deferred Inflows/Outflows 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 and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City had the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual investment earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual actuarial experience – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify in this item. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow is reclassified to revenue on the government-wide financial statements. The second item qualifies as deferred inflows of resources as a result of implementing GASB Statement No. 68. A deferred inflow is recorded in the government-wide statement of net position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current period. The differences are amortized over the average remaining service life of all participants in the respective pension plans and recorded as a component of pension expense beginning with the period in which they are incurred.

The components of the City's deferred outflows of resources and deferred inflows of resources are as follows:

		Business Activities			
	Governmental Activities	Water and Sewer	Solid Waste	Non-Major Enterprise Fund	Total
Deferred Outflows of Resources					
Deferred outflows from pension activities	$ 17,101,415	$ 2,156,176	$ 790,599	$ 251,555	$ 3,198,330
Unamortized deferred bond refunding cost	899,920	111,122	-	-	111,122
Total Deferred Outflows of Resources	$ 18,001,335	$ 2,267,298	$ 790,599	$ 251,555	$ 3,309,452
Deferred Inflows of Resources					
Deferred inflows from pension activities	$ 316,445	$ 19,551	$ 7,169	$ 2,281	$ 29,001
Total Deferred Inflow of Resources	$ 316,445	$ 19,551	$ 7,169	$ 2,281	$ 29,001

Long-Term Debt

In the government-wide financial statements and the 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 statement of net position. General obligation bonds, which have been issued to fund capital projects of both the general government and certain proprietary funds, are to be repaid from tax revenues of the City. General obligation debt is recorded in the governmental activities in the government-wide financial statements.

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

Compensated Absences

All employees may accumulate vacation and sick leave. In the event of termination, other than by death or retirement, an employee other than a police officer or firefighter may be reimbursed up to 45 vacation days. If termination is by death or retirement, the beneficiary or employee may also be reimbursed for up to 90 sick leave days. The City is liable for up to 90 days sick leave and 45 days vacation leave related to police officers and firefighters regardless of cause for termination. In the government-wide statements, vacation and sick pay are recorded as an expense and related liability in the year earned. The liability for compensated absences in the governmental funds will be liquidated by the General fund.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and Abilene Firemen's Relief and Retirement Fund (AFRRF) and additions to /deductions from TMRS's and AFRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and AFRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In the government-wide financial statements and proprietary fund financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the City's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Transactions Between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which were properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Federal and State Grants and Entitlements

Grants, entitlements and shared revenues may be accounted for within any of the fund types. The purpose and requirements of each grant or entitlement are carefully analyzed to determine the proper fund type in which to record the related transactions. Grants or entitlements received for purposes normally financed through a particular fund type may be accounted for in that fund type provided that applicable legal restrictions can be appropriately satisfied.

Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable Capital Projects Funds. Such revenues received for operating purposes of proprietary funds, or which may be utilized for either operations or capital outlay at the discretion of the City, are recognized in the applicable proprietary fund.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policies

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. At least thirty 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, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget for the next fiscal year is legally enacted by the City Council through passage of an ordinance not later than the twenty-fifth day of the last month of the fiscal year. If the City Council does not enact the budget within this time period, then the budget as submitted by the City Manager becomes the legally authorized budget.

4. Expenditures may not legally exceed appropriations at the department level for each legally adopted annual operating budget. The City Manager may, without Council approval, transfer appropriation balances from one expenditure account to another within a department or agency of the City. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one department or agency to another. The reported budgetary data has been revised for amendments legally authorized during the year.

5. Annual budgets are legally adopted for the General Fund, some of the Special Revenue Funds (Community Development Fund, Home Fund, Health Services Fund, Health Immunization Fund, Community and Rural Health Fund, FHA Fund, Seized Fund and Hotel/Motel Occupancy Fund), the Debt Service Fund, Enterprise Funds and Internal Service Funds. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year.

6. At the close of each fiscal year, any unencumbered appropriation balance (appropriations including prior year encumbrances less current year expenditures and encumbrances) lapses or reverts to the unassigned fund balance. The unencumbered appropriation balance in the Capital Projects Funds does not lapse at year end.

The City prepares its annual operating budget on a basis (budget basis) which differs from U.S. generally accepted accounting principles (GAAP basis). In order to provide a meaningful comparison of actual results with the budget, the actual and budget amounts are presented in accordance with the City's method (budget basis) in the General Fund –Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Exhibit C-1).

The major difference between GAAP and budget basis is that encumbrances are recorded as an assignment of fund balance (GAAP basis) as opposed to the equivalent of expenditures (budget basis) in governmental funds. There is also a revenue difference between GAAP and budget basis because the City does not budget revenue in accordance with GASB 33. Adjustments necessary to convert the change in fund balance from budget basis to GAAP basis are presented in the Notes to the Required Supplementary Information.

Encumbrances

Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to commit or assign that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as either commitments or assignments of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

For budgetary purposes, encumbrances outstanding at year end and the related appropriation are carried forward to the new fiscal year. Encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to the legally adopted budgets on the budget basis of accounting.

Nature and Purpose of Classifications for Fund Balance

During fiscal year 2011, the City implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself; using its highest level of decision –making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council has authorized the City Manager as the official responsible for the assignment of fund balance for specific purposes, pursuant to the City’s Fund Balance Policy.

In the general fund, the City is to maintain an unassigned fund balance equal to 25% of the annual expenditures. The City considers a balance of less than 20% to be a cause for concern, barring unusual or deliberate circumstances. In the event that the total fund balance is calculated to be less than the policy stipulates, the City will plan to adjust budget resources in subsequent fiscal years to restore the balance.

Appropriation from the minimum unassigned fund balance requires the approval of the City Council and will be utilized only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted. City Council may appropriate unassigned fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balance are available. Additionally, the City would first use committed, followed by assigned, and lastly unassigned balances when expenditures are incurred for purposes for which balances in any of those unrestricted fund balance classifications could be used.

The table below presents additional detail of fund balances as of September 30, 2017.

	General	Debt Service	Non-Major Governmental Funds: General Obligation Bond Project Fund	Special Revenue	Non-Major Capital Projects	Total Non-major Govt Funds	Total
Fund Balance							
Non-spendable:							
Inventory	$ 4,071	$ -	$ -	$ -	$ -	$ -	$ 4,071
Prepaid items	32,131	-	-	7,859	-	7,859	39,990
Restricted for:							
Debt service	-	1,841,779	-	-	-	-	1,841,779
Capital projects	-	-	35,311,747	-	11,466,159	11,466,159	46,777,906
Public safety	-	-	-	1,172,998	-	1,172,998	1,172,998
Economic development	-	-	-	1,442,802	-	1,442,802	1,442,802
Community services	-	-	-	517,507	-	517,507	517,507
General government	-	-	-	463,328	-	463,328	463,328
Other purposes	-	-	-	217,282	-	217,282	217,282
Assigned to:							
Capital projects	-	-		-	10,029,756	10,029,756	10,029,756
Administrative services	196,496	-	-	-	-	-	196,496
Streets and transportation	269,951	-	-	-	-	-	269,951
Police	14,610	-	-	-	-	-	14,610
Fire	235,084	-	-	-	-	-	235,084
Community services	32,232	-	-	-	-	-	32,232
Unassigned	26,146,953	-	-	(31,177)	-	(31,177)	26,115,776
	$ 26,931,528	$ 1,841,779	$ 35,311,747	$ 3,790,599	$ 21,495,915	$ 25,286,514	$ 89,371,568

NOTE 3: DEPOSITS AND INVESTMENTS

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

Legal Investments

Under current Texas law, the City is authorized to invest in (1) obligations of the United States or its instrumentalities, (2) direct obligations of the State of Texas or its agencies, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating agency, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending program that is 100% collateralized, can be terminated at any time, and placed through a primary government securities dealer or a financial institution in the state of Texas, and has a term of one year or less, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (10) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (11) guaranteed investment contracts with a defined termination date, secured by obligations in an amount at least equal to the amount of bond proceeds invested under the contract, and is pledged to the entity and deposited with the entity or a third party selected and approved by the entity, and (11) public funds investment pools continuously rated no lower than AAA or AAAm or equivalent rating by at least one nationally recognized rating service and maintain a stable $1 net asset value. The City may invest in such obligations directly or through government investment pools that invest solely in such obligations. The City did not engage in repurchase nor reverse repurchase agreement transactions during the current year.

Custodial Credit Risk

The City's demand deposits at year end are entirely covered by FDIC insurance, and pledged collateral held in the City's name by the City's agent. Obligations that may be pledged as collateral are as follows:

1. Obligations of the U.S. or its agencies and instrumentalities.
2. Direct obligations of the state, agencies, counties, cities and other political subdivisions of the state of Texas rated as to investment quality by a nationally recognized investment firm not less than A or its equivalent.

Investment Policies

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". Under Texas law and City policy, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, are consistent with the operating requirements of the City, and yield the highest possible rate of return.

Objectives

Funds of the City are invested in accordance with State law, IRS arbitrage regulations, City Council approved policies and written administrative procedures. The City's objectives in managing its investment portfolios are as follows:

1. Safety - The first and foremost consideration of any custodian of public funds must be safety of the principal amount involved.
2. Liquidity - The City must have cash or "near cash" on hand to meet current obligations.
3. Yield - While it is certainly desirable to show a high effective rate of return on invested funds, it is important to recognize that it is essential to keep every dollar working every day, even at a reduced rate of return.

Interest Rate Risk and Concentration Risk

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate interest rate risk (the risk that the fair value of securities in the portfolio will fall due to changes in general interest rate) and concentration risk (the risk of over reliance on any one investment type or issuer). The table below lists the City's investment policies and adherence of the current portfolio to these risks:

	Per Policy		At September 30, 2017	
Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Maturity	% Of Portfolio
Local Government Investment Pools		100%	1 day	55%
Certificates of Deposit	1 year	50%	1 year	1%
U.S. Government Securities	2-10 years	100%	6 years	43%
Money Market Mutual Funds	Weighted Average 90 days	15%	n/a	0%
Money Market			1 day	1%

For short term liquidity requirements, the City utilizes two local government investment pools. TexPool is overseen by the State of Texas Comptroller of Public Account, operated under the supervision of the Texas Treasury Safekeeping Trust Company, and managed by Federated Investors, under a contract with the Comptroller. TexPool was created to invest funds on behalf of Texas political subdivisions. The pool operates on a $1 net asset value basis and allows same day or next day redemptions and deposits. As of September 30, 2017, TexPool's portfolio maintained a weighted average maturity of approximately 34 days.

The other local government investment pool utilized by the City is Texas Short Term Asset Reserve Fund (TexStar). This pool is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank. As of September 30, 2017, TexStar's portfolio maintained a weighted average maturity of approximately 27 days.

TexPool and TexStar's investment policies limit the weighted average maturity to sixty (60) days. The pools do not invest in derivatives. In order to maintain a stable $1 price of the funds, the pools will sell portfolio holdings if the ratio of the fair value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005. The $1 price is not guaranteed or insured by the State of Texas, the Comptroller of Public Accounts, the pools or their administrators.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2017, the City's investments in TexStar and TexPool were both rated AAAm by Standard and Poor's. In addition, the City requires all investment balances with financial institutions (certificates of deposit and money market accounts) to be fully collateralized with pledged securities or letters of credit held by third parties.

Investment Administration

The Finance Director is responsible for the City's comprehensive cash management program, including the administration of the Investment Policies. The Finance Director is responsible for considering the quality and capability of staff involved in investment management and procedures and for authorizing investments. The Assistant Director of Finance accounts for investments and pledged collateral in order to maintain appropriate internal controls. The purchase of derivatives for the discretionary portfolio are analyzed and authorized by the City Manager, the Finance Director, and the Assistant Director of Finance collectively.

The City of Abilene's Investment Program is divided into three portfolios 1) Core; 2) Emergency/Liquidity; and 3) Discretionary.

Core Portfolio

The core portfolio is specifically managed to achieve the first three objectives of safety, liquidity, and legality. This portfolio consists of instruments that have a stated maturity date covering a twelve (12) to eighteen (18) month period. The instruments are timed to meet payrolls, bond payments, accounts payable, and capital project schedules. Typical investment types are Certificates of Deposit, Treasury Bills, Treasury Notes, and other short term obligations of agencies or instrumentalities of the United States. Derivatives are not purchased for core portfolio purposes.

Emergency/Liquidity Portfolio

The emergency/liquidity portfolio is managed to not only achieve the objectives of the core portfolio but also to achieve better yields and flexibility. This portfolio consists of instruments with a stated maturity date that is not required to cover operations but is available for liquidity purposes, if necessary, or to take advantage of changes in the market. In addition, TexPool and TexStar are maintained to provide immediate access to funds should conditions warrant. Derivatives are not purchased for emergency/liquidity purposes.

Discretionary Portfolio

The discretionary portfolio is managed to achieve all of the objectives while allowing somewhat more flexibility. This portfolio is utilized to enhance the overall yield of the investment program by allowing flexibility in the type of instrument purchases from monies not needed in the immediate future. Derivatives are allowed in this portfolio only after careful analysis. Any derivative within six months of expected maturity is moved to the core portfolio for maturity balancing purposes only. Should market conditions extend the expected maturity beyond the six months, the investment is returned to the discretionary portfolio.

The City maintains a pooled investment fund which is shared by various funds and component units of the City. Each individual fund's and component unit's equity investment in the pooled investment fund is reflected as cash investments and investments in the accompanying financial statements.

Pooled fund cash investment and investment balances by fund type at September 30, 2017, are as follows:

	Cash Investments	Investments	Total
General Fund	$4,278,772	$9,454,269	$13,733,041
Special Revenue Funds	950,588	2,105,928	3,056,516
Debt Service Fund	571,144	1,265,609	1,836,753
Capital Project Funds	4,316,143	9,564,181	13,880,324
Enterprise Funds	14,017,565	31,023,421	45,040,986
Internal Service Funds	4,320,186	9,561,358	13,881,544
Agency Funds	1,883,203	4,167,872	6,051,075
Development Corporation of Abilene (component unit)	6,470,567	14,320,544	20,791,111
Total	$36,808,168	$81,463,182	$118,271,350

The following represents the investments at September 30, 2017 located in the pooled investment fund:

Description	Credit Ratings	Interest Rate	Par Value	Book Value (Cost)	Fair Value
Core Portfolio:					
FFCB	Aaa	.911	$8,350,000	$8,349,186	$8,328,577
FHLB	Aaa	1.048	8,000,000	8,012,079	7,996,410
FHLMC	Aaa	1.016	2,825,000	2,822,834	2,817,240
FNMA	Aaa	.888	2,000,000	2,000,213	1,995,260
U.S. Treasury Note	AA+	1.038	34,000,000	34,005,507	33,986,270
			55,175,000	55,189,819	55,123,757
Emergency/Liquidity Portfolio:					
Certificates of Deposit	N/A	.550	2,000,000	2,000,000	2,000,000
TexPool	AAAm	1.015	19,381,968	19,381,968	19,381,968
TexStar	AAAm	1.038	13,953,519	13,953,519	13,953,519
Money Market	N/A	.889	1,463,379	1,463,379	1,463,379
			36,798,866	36,798,866	36,798,866
Discretionary Portfolio:					
U.S. Treasury Note	AA+	1.337	2,000,000	1,978,845	1,984,420
FNMA	Aaa	1.454	2,000,000	2,000,000	1,996,680
FFCB	Aaa	1.279	3,000,000	2,999,331	2,989,800
FHLB	Aaa	1.579	3,000,000	3,003,483	3,002,080
FHLMC	Aaa	1.408	16,215,000	16,208,016	16,182,354
			26,215,000	26,189,675	26,155,334
Accrued Interest			-	193,393	193,393
Total			$118,188,866	$118,371,753	$118,271,350

The government agency securities above are registered and held in safekeeping by the City's agent in the City's name.

In addition to pooled fund cash investments, the City had cash investments invested in TexStar, ($46,998,194 held in capital project funds and $25,012,166 held in enterprise funds) and money market, ($361,221 held in enterprise funds).

NOTE 4: PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2016, upon which the 2016 levy was based, was $5,861,417,197. Taxes are due by January 31 following the October 1 levy date. Split payments are permitted: the first half by November 30; the second half by June 30. Discounts are not allowed.

A tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed on the property. The lien attaches whether or not the taxes were imposed in the year in which the lien attached. The lien exists in favor of each taxing unit having the power to tax the property. The provision applies to both real and personal property.

Legislation passed in 1979 and amended in 1981 by the Texas Legislature with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide Appraisal Districts and for a State property tax board which commenced operations in January, 1980.

As of October 1, 1981, the appraisal of property within the City is the responsibility of the Central Appraisal District of Taylor County (CAD). The CAD is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, all real property within the Appraisal District must be reappraised every four years.

The CAD has chosen to review the value of property every year. The City may challenge appraised values established by the CAD through various appeals and if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate after adjustment for new construction, new annexation, new debt service, and revaluation, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year. This legislation also provides that, if mandated by the qualified voters in the City, the collection function must be placed with the Tax Authority. In October 1982, the CAD assumed the property tax billing and collection function for the City at a fee of one-half of one percent of total current taxes collected.

The City is permitted by Article II, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is $1.50 per $100 of assessed valuation as established by the attorney general of the State of Texas.

The tax rate to finance general governmental services other than payment of principal and interest on long-term debt was $.5448 per $100 for the year ended September 30, 2017. The tax rate to finance the payment of principal and interest on long-term debt was $.2017 per $100 for the year ended September 30, 2017. Current taxes collected during the year ended September 30, 2017, amounted to 98.78% of the current tax levy.

The City has adopted a policy to record all delinquent taxes in the General Fund at year end. The City's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes after the current year funding requirements have been satisfied will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the City's General Fund after the City has met the annual requirements for the payment of the bonds.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

Governmental Activities:	Balance September 30, 2016	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2017
Capital assets, not being depreciated:				
Land	$ 12,185,097	$ 156,610	$ -	$ 12,341,707
Construction in progress	24,498,678	16,188,766	(22,912,924)	17,774,520
Total capital assets, not being depreciated	36,683,775	16,345,376	(22,912,924)	30,116,227
Capital assets being depreciated:				
Buildings and improvements	64,453,226	5,068,024	-	69,521,250
Leasehold improvements	-	1,678,966	-	1,678,966
Improvements other than buildings	123,585,675	26,516,887	-	150,102,562
Infrastructure	126,866,364	8,926,444	-	135,792,808
Machinery and equipment	20,698,884	918,931	-	21,617,815
Vehicles	46,991,201	1,863,551	(971,717)	47,883,035
Software	2,867,626	446,554	-	3,314,180
Total assets being depreciated	385,462,976	45,419,357	(971,717)	429,910,616
Less accumulated depreciation for:				
Buildings and improvements	(23,979,678)	(1,883,793)	-	(25,863,471)
Leasehold improvements	-	(83,948)	-	(83,948)
Improvements other than buildings	(44,070,429)	(4,370,830)	-	(48,441,259)
Infrastructure	(69,355,785)	(3,804,248)	-	(73,160,033)
Machinery and equipment	(16,794,207)	(1,757,794)	-	(18,552,001)
Vehicles	(27,741,432)	(2,670,443)	733,965	(29,677,910)
Software	(2,667,451)	(141,710)	-	(2,809,161)
Total accumulated depreciation	(184,608,982)	(14,712,766)	733,965	(198,587,783)
Total capital assets being depreciated, net	200,853,994	30,706,591	(237,752)	231,322,833
Governmental activities capital assets, net	$ 237,537,769	$ 47,051,967	$ (23,150,676)	$ 261,439,060

Business-Type Activities:		Balance September 30, 2016		Additions/ Completions		Retirements/ Adjustments		Balance September 30, 2017
Capital assets, not being depreciated:								
Land	$	2,133,417	$	-	$	-	$	2,133,417
Construction in progress		201,137,323		6,191,415		(152,462,456)		54,866,282
Total capital assets, not being depreciated		203,270,740		6,191,415		(152,462,456)		56,999,699
Capital assets, being depreciated:								
Buildings and improvements		74,859,054		122,927,832		-		197,786,886
Improvements other than buildings		173,746,649		41,656,301		-		215,402,950
Machinery and equipment		12,671,795		593,738		-		13,265,533
Vehicles		6,424,030		837,000		(467,009)		6,794,021
Intangible assets		31,705,860		197,043		-		31,902,903
Total assets being depreciated		299,407,388		166,211,914		(467,009)		465,152,293
Less accumulated depreciation for:								
Buildings and improvements		(28,703,004)		(2,737,649)		-		(31,440,653)
Improvements other than buildings		(75,735,644)		(3,964,332)		-		(79,699,976)
Machinery and equipment		(9,761,692)		(481,133)		-		(10,242,825)
Vehicles		(5,841,989)		(371,687)		467,009		(5,746,667)
Intangible assets		(13,937,388)		(692,528)		-		(14,629,916)
Total accumulated depreciation		(133,979,717)		(8,247,329)		467,009		(141,760,037)
Total capital assets being depreciated, net		165,427,671		157,964,585		-		323,392,256
Business-type activities capital assets, net	$	368,698,411	$	164,156,000	$	(152,462,456)	$	380,391,955

Construction in progress in the Enterprise Funds includes various capital projects which are substantially funded by general obligation bonds, certificates of obligation and Federal and State Grants. See Note 1 for a description of significant accounting policies related to capital assets. The capital assets of the Internal Service Funds are included in the Governmental Activities in the Government-wide financial statements.

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

Governmental activities:		
General government	$	727,983
Administrative services		37,097
Finance		97,116
Planning and development services		14,141
Economic development		270,141
Public works		3,823,504
Facilities and capital improvements		78,085
Police		1,103,186
Fire		1,081,067
Transportation services		3,478,221
Community services		1,723,059
Internal service funds		2,279,166
Total depreciation expense - governmental activities	$	14,712,766
Business-type activities:		
Water and Sewer	$	7,523,726
Solid Waste Services		234,835
Transit		488,768
Total depreciation/amortization expense - business-type activities	$	8,247,329

NOTE 6: RETIREMENT PLANS

Plan Descriptions

Texas Municipal Retirement System

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

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

Abilene Firemen's Relief and Retirement Fund

The City provides pension benefits, through a single-employer defined benefit plan, for all of its firefighters not covered by the Texas Municipal Retirement System. The Abilene Firemen's Relief and Retirement Fund (AFRRF) is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The fund is administered by a Board of Trustees. The Board is made up of three members elected from and by the fund members, two representatives of the City of Abilene, Texas, and two citizen members. The plan was most recently amended effective February 25, 2015. Audited financial statements are issued by the Plan and can be obtained from the City of Abilene.

All eligible firefighters of the City, not covered by TMRS or any other system or plan, are required to participate in AFRRF.

Benefits Provided

Texas Municipal Retirement System (TMRS) – This plan provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – This plan provides retirement, disability, and death benefits. A member is eligible for service retirement if they have completed 20 years of credited service and attained the age of 50. A member who retires under the service retirement provision will receive a monthly benefit equal to the sum of a) standard service benefit equal to 3 percent of the member's average monthly salary multiplied by the member's number of years of credited service not in excess of 20 years and b) an additional service benefit calculated as the sum of (i) the member's years of credited service in excess of 20 but not to exceed 21.5 years, multiplied by 3.0 percent of the member's average monthly salary and (ii) $80.00 multiplied by the member's years of service credit in excess of 21.5. A Deferred Retirement Option Plan (DROP) is available to eligible members with 23 years of service and age 53.

The plans provisions for the City are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Employee deposit rate	7%	13.20%
Matching ratio (City to employee)	2 to 1	
City's Contribution		19.25%
A member is vested after	5 years	20 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	50/20
Updated Service Credit	100% Repeating, Transfers	
Annuity increase to retirees	0% of CPI	0% of CPI

As of the most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2016	September 30, 2017
Retirees and beneficiaries currently receiving benefits	785	186
Inactive employees entitled to but not yet receiving benefits	479	3
Active employees	1,023	174
Total participants	2,287	363

Contributions

Texas Municipal Retirement System (TMRS) – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Abilene were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.02% and 10.58% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $5,097,814 and were equal to the required contributions.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's contribution rate for fiscal year 2016 and 2017 was 19.25% of each member's gross pay. Of this amount 1.75 percent of pay is dedicated to providing post-retirement benefit increase to inactive members, unless the contribution is needed in order to meet the funding requirements of the plan. Fund members contributed 13.2% of gross pay. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a members' contributions are excluded from taxable income when paid into the fund. The City's contributions to AFRRF for the year ended September 30, 2017 were $2,541,026 and were equal to the required contribution.

Net Pension Liability

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLA's are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans.

Texas Municipal Retirement System (TMRS) - The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's Net Pension Liability (NPL) was measured as of September 30, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of October 1, 2015.

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2016	September 30, 2017
Total Pension Liability	$ 288,193,568	$ 107,969,265
Fiduciary Net Position	256,203,836	57,456,309
Net Pension Liability	$ 31,989,732	$ 50,512,956

Actuarial Assumptions

Texas Municipal Retirement System

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. For the City of Abilene, the base table is then multiplied by a factor of 102% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 52%, 2) Police – 79%, or 3) Other – 115%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table with Blue Collar Adjustment is used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Abilene Firemen's Relief and Retirement Fund

The Total Pension Liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Update procedures were used to roll forward the total pension liability from the actuarial valuation date to the pension plan's fiscal year-end.

Inflation	3.0% per year
Overall payroll growth	4.0% per year, compounded annually
Investment Rate of Return	8.0%

Mortality rates for employee and healthy annuitants were based upon the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females. Termination rates were based upon Table T-1 from the *Actuary's Pension Handbook* with specimen rates at age 25 – 5.50%, age 35 - 2.48%, age 45 - .62%, age 55 - 0.00%. Disability rates were developed from the 1985 Society of Actuaries Disability Table Study using Class 1 male rates with a 90-day elimination period. Disability specimen rates at age 25 - .075%, age 35 - .152%, age 45 - .335% and age 55 - .858%. The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2011 through September 30, 2013.

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

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash and Short-term Fixed Income	0.0%	0.0%
Fixed Income-Investment Grade	17.0%	3.0%
Emerging Mkt Debt	2.0%	3.0%
US Large-cap	9.5%	7.0%
US Mid-cap	11.0%	9.5%
US Small-cap	11.0%	8.5%
International Equity	13.1%	5.3%
Emerging markets	9.0%	5.0%
REITs	7.4%	8.6%
Alternative investments	20.0%	2.0%
Total	100.0%	

Discount Rate

Texas Municipal Retirement System (TMRS) - The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The discount rate used to measure the Total Pension Liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that City contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Schedule of Changes in the Net Pension Liability

Changes in the City's net pension liability presented below are calculated on the same basis as each of the plans. The Change in Net Pension Liability for TMRS and AFRRF for the fiscal year ended September 30, 2017 are as follows:

Texas Municipal Retirement System

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 279,585,644	$ 248,022,607	$ 31,563,037
Changes for the year:			
Service cost	6,934,050	-	6,934,050
Interest	18,552,482	-	18,552,482
Change of benefit terms	-	-	-
Difference between expected and actual experience	(476,439)		(476,439)
Change of assumptions	-	-	-
Contributions - employer	-	4,726,465	(4,726,465)
Contributions - employee	-	3,301,928	(3,301,928)
Net investment income	-	16,754,508	(16,754,508)
Benefit payments, including refunds of employee contributions	(16,402,169)	(16,402,169)	-
Administrative expenses	-	(189,304)	189,304
Other changes	-	(10,199)	10,199
Net changes	8,607,924	8,181,229	426,695
Balance at 12/31/2016	$ 288,193,568	$ 256,203,836	$ 31,989,732

Abilene Firemen's Relief and Retirement Fund

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 10/1/16	$ 104,288,742	$ 55,018,029	$ 49,270,713
Changes for the year:			
Service cost	2,230,317	-	2,230,317
Interest	8,249,550	-	8,249,550
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	2,541,026	(2,541,026)
Contributions - employee	-	1,742,417	(1,742,417)
Net investment income	-	4,983,880	(4,983,880)
Benefit payments, including refunds of employee contributions	(6,799,344)	(6,799,344)	-
Administrative expenses	-	(29,699)	29,699
Other changes	-	-	-
Net changes	3,680,523	2,438,280	1,242,243
Balance at 9/30/17	$ 107,969,265	$ 57,456,309	$ 50,512,956

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

The following presents the net pension liability for each of the City's plans, calculated using the discount rate, as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate Assumption	1% Increase in Discount Rate
	5.75%	6.75%	7.75%
TMRS - Net pension liability	$66,894,509	$31,989,732	$2,831,742
	7.00%	8.00%	9.00%
AFRRF - Net pension liability	$61,662,207	$50,512,956	$41,023,371

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' Fiduciary Net Position is available in a separately-issued TMRS financial report which may be obtained on the Internet at *www.tmrs.com* and a AFRRF financial report which may be obtained from the Abilene Firemen's Relief and Retirement Fund, P.O. Box 60, Abilene, Texas 79604-0060.

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

For the year ended September 30, 2017, the City recognized total pension expense of $16,553,914. Pension expense recognized for the TMRS plan was $11,015,383 and for the AFRRF was $5,538,531.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Deferred Outflows of Resources		
Contributions subsequent to the measurement date	$ 3,829,216	$ -
Difference between projected and actual investment earnings	11,753,894	1,662,274
Changes in actuarial assumptions	2,385,027	669,334
Total Deferred Outflows of Resources	$17,968,137	$2,331,608
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$ 162,926	$ 182,520
Total Deferred Outflows of Resources	$ 162,926	$ 182,520

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement dates of $3,829,216 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
2018	$ 5,372,802	$ 1,071,000
2019	5,231,421	1,070,998
2020	3,375,557	(93,657)
2021	(3,785)	(53,783)
2022	-	83,071
Thereafter	-	71,459
Total	$ 13,975,995	$ 2,149,088

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 Benefits 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.

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 employee's entire careers.

The City's contribution for retirees to the TMRS SDBF for the years ended 2017, 2016, and 2015 were $48,854, $43,492, and $34,504, respectively, which equaled the required contributions each year.

NOTE 7: SELF-INSURANCE

The City has established a Self-Insurance Fund to separately report the activities of the City's general and police professional liability, health, life and property insurance and worker's compensation plans.

General and Professional Liability

During the current year, the City's liability insurance was a "self-insured" retention for loss plan. At September 30, 2017, a liability insurance policy for bodily injury and property damage was in effect for the airport. The airport insurance coverage is $1,000,000 per occurrence. The City informally budgets for current claims based on actuarial valuations and historical data. The City incurred $300,057 for liability claims and paid $50,384 for liability insurance premiums for the year ended September 30, 2017. With the exception of the airport, the City is fully self-insured in regard to general and professional liability.

Health Insurance

The City's health insurance program is a "self-insured" minimum premium cash flow plan. The City and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for each claim processed. The insurance company also secures bids for aggregate and individual stop loss coverage. The City informally budgets for current claims, administrative costs, and stop loss coverage based on actuarial valuations and current health care statistics. Prescriptions for medication are covered through a self-insured prescription card. Under this plan, the card holder pays one pre-set co-payment for generic medications and a higher co-payment for name brand drugs with the City paying the difference, thereby sharing the cost between the City and the card holder. Funding covers both the cost of claims and administrative expenses. The City paid $10,083,112 in health and prescription claims and paid $1,161,955 for administrative costs for the year ended September 30, 2017. The City contributed $6,901,352 and City employees contributed $2,269,517 to the health insurance program for the year ended September 30, 2017. Retirees and other agency contributions were $222,621 for the year ended September 30, 2017.

Estimated health claims that have been incurred but not reported are accrued at year end. The estimated liability for health claims is $1,933,283 at September 30, 2017. The estimated liability for health claims is based upon historical claims experience. All of the health claims liability is expected to be paid within one year. The following is a walkforward of the activity in the estimated liability account for the years ended September 30, 2015, 2016 and 2017:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated health claims:				
2015	$1,143,205	$6,944,995	$6,907,684	$1,180,516
2016	1,180,516	12,611,741	12,175,354	1,616,903
2017	1,616,903	10,399,492	10,083,112	1,933,283

Life Insurance

The City's employee life insurance program is administered by an independent insurance company. The City collects premium payments from employees and retirees electing to participate in the program and remits these premium payments to the insurance company. Life insurance premiums collected and remitted for employees and retirees amounted to $18,483 and $3,149, respectively, for the year ended September 30, 2017.

Property Insurance

The City's property insurance program included a blanket property insurance policy of $411,024,602 for buildings, contents and equipment and $20,000,000 per individual loss for earthquake and flood with a $250,000 deductible. In addition, the

City maintained $50,000,000 coverage on boiler and building machinery, with a $50,000 deductible and $9,397,810 of coverage on mobile equipment with a deductible of $250,000. Catastrophic automobile coverage of $20,110,124 was maintained on the fleet with a deductible of $250,000. The City paid $449,037 in property insurance premiums and $9,196 for property claims for the year ended September 30, 2017. On June 12, 2014, the City incurred significant damage to buildings, vehicles and equipment as a result of a hail storm. The estimated unpaid property claims for hail damage to the City's buildings, vehicles and equipment were accrued at year end. All property claims are expected to be paid within one year. The following is a walkforward of the activity in the estimated liability account for the year ended September 30, 2015, 2016 and 2017:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated liability claims:				
2015	$ 3,206,344	$1,991,156	$1,336,958	$ 3,860,542
2016	3,860,542	1,850,821	4,663,813	1,047,550
2017	1,047,550	0	9,196	1,038,354

Worker's Compensation

The City's worker's compensation plan is part of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") in which the City is a member (however, the City is responsible only for claims of the City). TMLIRP reviews and processes all worker's compensation claims. The City informally budgets for current claims based on actuarial valuations and historical data. The City paid $973,266 in worker's compensation claims for the year ended September 30, 2017, and $83,300 in administrative and other charges. Estimated liability claims that have been incurred but not reported are accrued at year end. The estimated liability for worker's compensation claims is $3,844,267 at September 30, 2017. The estimated liability claims are based upon historical claims experience as well as expected known claims.

The following is a walkforward of the activity in the estimated liability account for the years ended September 30, 2015, 2016 and 2017:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated liability claims:				
2015	$1,784,484	$1,066,204	$ 851,475	$1,999,213
2016	1,999,213	1,282,844	821,768	2,460,289
2017	2,460,289	2,357,244	973,266	3,844,267

Summary

The Self-Insurance Fund net position was ($7,215,727) at September 30, 2017.

There were no significant reductions in insurance coverage from coverage in the previous year. The amounts of settlements incurred during the year were covered by available self-insurance funds under stop loss limits and insurance coverage above the stop loss limits. There were no settlements which exceeded the maximum insurance coverage in the past three years.

NOTE 8: LONG-TERM OBLIGATIONS AND AMOUNTS DUE WITHIN ONE YEAR

The following is a summary of changes in long-term obligations for the year ended September 30, 2017:

	Balance at September 30, 2016	Additions	Retirements	Balance at September 30, 2017	Due Within One Year
Governmental Activities:					
Bonds and notes:					
General obligation bonds payable	$ 79,795,000	$ 13,660,000	$ 6,255,000	$ 87,200,000	$ 6,370,000
Certificates of obligation payable	10,390,000	7,830,000	2,165,000	16,055,000	2,085,000
Contractual obligation payable	-	264,445	-	264,445	99,738
Bond premiums	8,337,623	3,539,471	580,734	11,296,360	-
Total bonds/contractual obligations	98,522,623	25,293,916	9,000,734	114,815,805	8,554,738
Compensated absences	9,658,943	1,061,119	1,149,353	9,570,709	906,213
Estimated unpaid claims	5,124,742	12,756,736	11,065,574	6,815,904	3,877,555
Net pension liability	75,215,529	1,592,986	-	76,808,515	-
Total Governmental Activities	$ 188,521,837	$ 40,704,757	$ 21,215,661	$ 208,010,933	$ 13,338,506
Business Type Activities:					
Bonds and contractual obligations:					
Bonds payable	$ 207,730,000	$ 10,740,000	$ 7,825,000	210,645,000	$ 8,260,000
Bond premiums	19,247,708	1,742,998	894,660	20,096,046	-
Total bonds payable	226,977,708	12,482,998	8,719,660	230,741,046	8,260,000
Compensated absences	535,665	149,288	147,256	537,697	124,189
Net pension liability	5,618,221	75,952	-	5,694,173	-

Governmental Activities

Capital Projects Funds are used to account for the acquisition or construction of capital assets and certain capital assets of proprietary funds (except for Water and Sewer Fund capital assets financed through revenue bonds). The acquisition or construction of water and sewer system capital assets has been funded substantially by the issuance of general obligation and certificates of obligation bonds and intergovernmental revenues. The bond covenants on the general obligation and certificates of obligation bonds sold to fund capital assets of the water and sewer system are secured by future ad valorem tax levies. Although the Water and Sewer Fund is not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation bonds, the City provides for a portion of the debt service of these bonds from budgeted allocations of surplus water and sewer system net revenues. If such funds are not available, the debt service would be financed from governmental funds.

Payments for the governmental activities general obligation and certificate of obligation bonds payable are made in the Debt Service Fund. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund and Special Revenue Funds. The Self Insurance Internal Service Fund will liquidate insurance claims payable that pertain to governmental activities. The net pension liability that pertains to the governmental activities will be liquidated mainly by the General Fund.

On July 1, 2017 the City of Abilene issued General Obligation Bonds, Series 2017 of $13,660,000 with an interest rate range of 4.0 to 5.0 percent and a final maturity of February 15, 2037. Proceeds from the bond sale will be used for the public purpose of constructing street, road and sidewalk improvements, constructing and equipping public safety facilities including a fire training facility, improvements and additions to the City's parks and recreational facilities including splash pads at municipal parks, and airport improvements.

On July 1, 2017 the City of Abilene issued Certificate of Obligation Bonds, Series 2017 of $7,830,000 with an interest rate range of 2.25 to 5.0 percent and a final maturity of February 15, 2037. Proceeds from the bond sale will be used for (i) acquiring, improving, renovating and equipping a building for a law enforcement center, water utilities offices and records storage; and (ii) constructing, improving and equipping a public safety facility for records storage.

The City intends to retire all of its general obligation and certificates of obligation bonds, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The general obligation and certificates of obligation bonds outstanding at September 30, 2017, will be amortized serially each year on dates prescribed by each respective bond ordinance through 2037. Total interest requirement for these bonds, at rates ranging from 2.0% to 6.75%, aggregate $37,627,347. $1,841,779 is available in the Debt Service Fund to service the general obligation and certificates of obligation bonds. All of these bonds are callable on dates prescribed by each respective bond ordinance.

The attorney general of the State of Texas established a practical limitation of $1.50 per $100 of assessed valuation on the debt service tax rate levied to service general obligation bonds, including interest. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended September 30, 2017, was $.2017 per $100 assessed valuation.

A number of limitations and restrictions are contained in the various general obligation bond indentures. The City is in compliance with all significant limitations and restrictions.

The Bond and the Certificate Capital Projects Funds, with fund balance aggregating $44,705,357, arise principally from proceeds of general obligation bonds and certificates of obligation sales. These proceeds may be used solely for the designated purposes as stated in the respective bond indenture and prospectus under which such bonds were sold. The City is in compliance with these requirements.

The following is a schedule of the governmental activities General Obligation and Certificates of Obligations bonds:

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Date	Amount Outstanding 09/30/17
Certificates of Obligation	05/01/2004	$ 800,000	5.0509	2-15-19/14	$ 100,000
Certificates of Obligation	07/15/2006	1,205,000	6.1705	2-15-21/16	320,000
General Obligation Bonds	08/01/2007	1,070,000	5.0467	2-15-27/17	520,000
Certificates of Obligation	08/01/2007	4,895,000	4.7993	2-15-22/17	2,080,000
Certificates of Obligation	07/01/2008	2,425,000	4.5147	2-15-23/18	165,000
General Obligation Bonds	07/01/2008	8,000,000	4.6874	2-15-28/18	400,000
Certificates of Obligation	07/01/2008	8,720,000	4.4931	2-15-23/18	625,000
General Obligation Bonds	05/01/2009	8,505,000	2.7528	2-15-20/20	1,180,000
General Obligation Bonds	08/15/2009	8,075,000	3.9131	2-15-29/19	810,000
Certificates of Obligation	08/15/2009	1,475,000	3.6800	2-15-29/19	200,000
Certificates of Obligation	08/15/2009	2,920,000	3.6800	2-15-29/19	270,000
General Obligation Bonds	01/15/2010	2,165,000	2.7312	2-15-21/20	555,000
General Obligation Bonds	12/15/2010	3,740,000	3.1574	2-15-22/21	845,000
Certificates of Obligation	12/15/2010	1,400,000	3.2800	2-15-26/20	835,000
General Obligation Bonds	12/15/2012	1,565,000	3.1319	2-15-43/22	430,000
General Obligation Bonds	08/15/2015	13,820,000	3.3500	2-15-35/25	10,710,000
General Obligation Bonds	08/15/2015	21,115,000	3.3500	2-15-35/25	19,625,000
Certificates of Obligation	08/15/2015	1,955,000	3.4000	2-15-35/25	1,760,000
General Obligation Bonds	09/01/2016	13,895,000	2.4131	2-15-36/25	13,705,000
General Obligation Bonds	09/01/2016	25,765,000	2.4131	2-15-36/25	24,760,000
Certificates of Obligation	09/01/2016	2,000,000	2.1100	2-15-31/25	1,870,000
General Obligation Bonds	07/01/2017	13,660,000	3.2167	2-15-37/26	13,660,000
Certificates of Obligation	07/01/2017	7,830,000	3.2165	2-15-37/26	7,830,000
					$ 103,255,000

The following is a maturity schedule for the bonds:

Fiscal Year Ended September 30	Debt Service Requirements to Maturity - Bonds Payable		
	Principal	Interest	Total Requirement
2018	$ 8,455,000	$ 4,190,861	$ 12,645,861
2019	8,425,000	3,800,167	12,225,167
2020	7,175,000	3,498,553	10,673,553
2021	6,780,000	3,229,044	10,009,044
2022	6,405,000	2,974,527	9,379,527
2023-2027	25,440,000	11,448,341	36,888,341
2028-2032	21,590,000	6,614,009	28,204,009
2033-2037	18,985,000	1,871,847	20,856,847
Total Debt Service Requirements to Maturity - Bonds Payable	$ 103,255,000	$ 37,627,348	$ 140,882,348

On May 9, 2015, voters of the City authorized the issuance of $80,690,000 General obligation bonds. City Council has authorized issuance of $23,000,000 as General Obligation Improvement Bonds, Series 2015, $28,441,000 as General Obligation Improvement Bonds, Series 2016 and $15,739,000 as General Obligation Improvement Bonds, Series 2017. At September 30, 2017, the City also had authorized and unissued general obligation bonds of $300,000 proposed for sanitary landfill purposes which the City has no plans to sell.

Business Type Activities

Water and Wastewater Obligations

On July 1, 2017 the City of Abilene issued Certificate of Obligation Bonds, Series 2017 of $10,740,000 with an interest rate range of 2.25 to 5.0 percent and a final maturity of February 15, 2037. Proceeds from the bond sale will be used for constructing, acquiring, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system.

The following is a schedule of Water and Wastewater Obligation Bonds outstanding as of 9/30/17:

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Dates	Amount Outstanding 09/30/17
Certificate of Obligation Bonds	8/15/2009	$ 5,960,000	3.6800	2-15-24/19	$ 790,000
General Obligation Bonds	12/15/2010	17,430,000	3.1574	2-15-22/21	6,490,000
Certificate of Obligation	12/20/2012	2,500,000	0.9400	2-15-33/23	2,020,000
General Obligation Bonds	12/15/2012	12,595,000	3.1319	2-15-43/22	8,825,000
Certificate of Obligation Bonds	10/24/2013	62,080,000	4.205	2-15-39/23	57,760,000
Certificate of Obligation Bonds	11/1/2014	57,580,000	3.690	2-15-40/24	54,955,000
Certificate of Obligation Bonds	4/1/2015	67,350,000	3.661	2-15-41/25	65,830,000
General Obligation Bonds	8/15/2015	2,305,000	3.350	2-15-35/26	1,355,000
General Obligation Bonds	9/01/2016	1,890,000	2.413	2-15-36/25	1,880,000
Certificate of Obligation Bonds	7/01/2017	10,740,000	3.2165	2-15-37/26	10,740,000
					$210,645,000

The following is a maturity schedule for the above bonds:

Fiscal Year Ended September 30	Total Principal	Total Interest	Total Requirement
2018	$ 8,260,000	$ 9,472,556	$ 17,732,556
2019	7,845,000	9,116,942	16,961,942
2020	8,035,000	8,789,909	16,824,909
2021	7,800,000	8,468,849	16,268,849
2022	6,455,000	8,171,056	14,626,056
2023 - 2027	35,710,000	36,150,195	71,860,195
2028 - 2032	43,550,000	27,535,805	71,085,805
2033 - 2037	54,725,000	15,817,107	70,542,107
2038 - 2042	37,800,000	3,194,275	40,994,275
2043 - 2045	465,000	8,138	473,138
Total	$ 210,645,000	$ 126,724,832	$ 337,369,832

NOTE 9: NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets is composed of the following:

	Capital Assets - Net	Related Debt	Unspent Debt Proceeds	Total
Governmental Activities:				
General Capital Assets	$ 247,673,562	$ (113,915,885)	$ 44,707,124	$ 178,464,801
Internal Service Funds	13,765,498	-	-	13,765,498
Total Governmental Activities	$ 261,439,060	$ (113,915,885)	$ 44,707,124	$ 192,230,299
Business-Type Activities:				
Water and Sewer Fund	$ 376,978,843	$ (230,629,924)	$ 20,921,198	$ 167,270,117
Solid Waste Fund	1,477,184	-	-	1,477,184
Transit Fund	1,935,928	-	-	1,935,928
Total Business-Type Activities	$ 380,391,955	$ (230,629,924)	$ 20,921,198	$ 170,683,229

NOTE 10: DEFICITS IN FUND BALANCE

At September 30, 2017, the following funds of the City had deficit balances:

Special Revenue Funds:	
Home	($8,400)
Health Immunization Fund	($2,463)
Community and Rural Health Fund	($19,696)
Federal Highway Administration	($618)
Internal Service Funds:	
Fleet Maintenance Fund	($175,827)
Self-Insurance Fund	($7,215,727)

As a result of recent large claims expense in the Self Insurance Fund, available reserves have been depleted. The City has continued to monitor the fund and has also implemented several strategies to begin to replenish these reserves. Among these are increasing the premium to employees, elimination of the low deductible plan, and increasing the annual deductibles for health claims and prescription drugs. In addition, during the budget process the City dedicated one cent from the property tax to go toward the Self Insurance Fund. Other funds will also contribute additional amounts during FY 2018 totaling $1,500,000 from the Water & Sewer Fund, Solid Waste Fund and Fleet Management Fund.

Funds were available from other sources; therefore no adverse effect to the Special Revenue and Fleet Maintenance funds is anticipated.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances in the fund financial statements, specifically the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. Interfund balances, specifically advances to and from other funds, are longer-term loans to cover Council directed internal financing of certain projects. At September 30, 2017, the City had $1,509,022 in internal financing. These balances are assessed an interest charge and are repaid over time through transfers.

The following amounts of due to other funds or due from other funds, including advances, are included in the fund financial statements:

	Due From Other Funds	Due To Other Funds
General Fund:		
Debt Service Fund	$ 1,673	$ -
Nonmajor Governmental Funds	483,862	-
Enterprise Fund - Water Funds	56,263	-
Internal Service Funds	-	1,489,579
Total General Fund	541,798	1,489,579
Debt Service Fund:		
General Fund	-	1,673
Total Debt Service Fund	-	1,673
Nonmajor Governmental Funds:		
General Fund	-	483,862
Internal Service Funds	249,150	19,443
Total Nonmajor Governmental Funds	249,150	503,305
Enterprise Fund - Water Fund:		
General Fund	-	56,263
Total Enterprise Fund - Water Fund	-	56,263
Internal Service Funds:		
General Fund	1,489,579	-
Nonmajor Governmental Fund	19,443	249,150
Total Internal Service Funds	1,509,022	249,150
Total All Funds	$ 2,299,970	$ 2,299,970

NOTE 12: INTERFUND TRANSFERS

Interfund transfers relate to the funding of deficits by the general fund to the health services fund, transit fund, technology fund and the funding of excess amounts to the general fund from the solid waste services fund and capital project funds. Transfers were also made from the general fund to service debt in the 2007 airport debt service fund and to fund several capital projects. The matching requirements for various grants are also transferred to the related project fund.

Transfers for the year ended September 30, 2017 are as follows:

	Transfers In	Transfers Out
General Fund:		
Debt Service Fund	$ -	$ 460,710
General Obligation Capital Project Fund	-	700,000
Nonmajor Governmental Funds	1,496,591	3,099,615
Solid Waste Enterprise Fund	2,000,000	-
Nonmajor Enterprise Funds	-	1,377,670
Internal Service Funds	-	804,247
Total General Fund	3,496,591	6,442,242
Debt Service Fund:		
General Fund	460,710	-
General Obligation Capital Project Fund	6,559	-
Nonmajor Governmental Funds	101,206	-
Solid Waste Enterprise Fund	37,490	-
Total Debt Service Fund	605,965	-
General Obligation Capital Project Fund:		
General Fund	700,000	-
Debt Service Fund	-	6,559
Nonmajor Governmental Funds	-	483,713
Total General Obligation Capital Project Fund	700,000	490,272
Nonmajor Governmental Funds:		
General Fund	1,985,364	1,496,591
Debt Service Fund	-	101,206
General Obligation Capital Project Fund	483,713	-
Nonmajor Governmental Funds	594,615	466,979
Nonmajor Enterprise Fund	-	95,915
Internal Service Funds	986,315	250,000
Total Nonmajor Governmental Funds	4,071,007	2,410,391
Enterprise Funds:		
Water Enterprise Fund		
Nonmajor Governmental Funds	-	21,000
Internal Service Funds	-	17,160
Solid Waste Enterprise Fund:		
General Fund	-	2,000,000
Debt Service Fund	-	37,490
Nonmajor Enterprise Funds:		
Nonmajor Governmental Funds	95,915	-
General Fund	1,377,670	-
Total Enterprise Funds	1,473,585	2,075,650
Internal Service Funds:		
General Fund	804,247	-
Nonmajor Governmental Funds	250,000	-
Water Enterprise Fund	17,160	-
Total Internal Service Funds	1,071,407	-
Total All Funds	$ 11,418,555	$ 11,418,555

NOTE 13: LITIGATION

At September 30, 2017, the City is involved in various lawsuits pending against the City. These lawsuits generally involve claims relating to general liability, automobile liability, civil rights actions and various contractual matters. Any settlements arising out of these lawsuits will be paid from the Self-Insurance Fund. In the opinion of management, any liabilities resulting from such suits would not have a material adverse effect on the City's financial statements.

NOTE 14: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

Significant Accounting Policies

The Development Corporation of Abilene (DCOA), which is a discretely presented component unit of the City, is presented on the accrual basis of accounting in the government-wide financial statements.

Deposits and Cash Investments

Cash and cash investments at September 30, 2017 includes demand deposits and investments that are pooled with the City's. At year end demand deposits are entirely covered by FDIC insurance and pledged collateral held in the entity's name by the entity's agent.

Pooled cash investments represent funds invested with the City of Abilene's pooled investment fund. Cash investments consisted $6,470,567 and investments consisted of $14,320,544 at September 30, 2017. See Note 3 for additional disclosures related to this pooled investment fund.

Capital Assets

Capital assets activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2017
Capital assets, not being depreciated:				
Land	$ 2,464,470	$ 384,442	$ -	$ 2,848,912
Construction in Progress	3,674,954	1,063,260	(4,600,723)	137,491
Total capital assets, not being depreciated	6,139,424	1,447,702	(4,600,723)	2,986,403
Capital assets, being depreciated:				
Buildings and improvements	38,308,189	2,891,265	-	41,199,454
Improvements other than buildings	15,588,704	1,709,458	-	17,298,162
Machinery and equipment	2,360,678	-	-	2,360,678
Vehicles	40,452	-	-	40,452
Total assets being depreciated	56,298,023	4,600,723	-	60,898,746
Less accumulated depreciation for:				
Buildings and improvements	(9,616,333)	(993,398)	-	(10,609,731)
Improvements other than buildings	(2,433,057)	(540,367)	-	(2,973,424)
Machinery and equipment	(2,107,667)	(102,548)	-	(2,210,215)
Vehicles	(32,953)	(5,000)	-	(37,953)
Total accumulated depreciation	(14,190,010)	(1,641,313)	-	(15,831,323)
Total capital assets being depreciated, net	42,108,013	2,959,410	-	45,067,423
Capital assets, net	$ 48,247,437	$ 4,407,112	$ (4,600,723)	$ 48,053,826

Depreciation expense for the fiscal year ending September 30, 2017 totaled $1,641,313.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Federally Assisted Programs - Compliance Audits

The City participates in numerous federally-assisted programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these grants are Community Development Block Grants, Home Investment Partnership, Health Services, Airport Improvements, and Transportation Grants. In connection with these grants, the City is required to comply with specific terms and agreements as well as applicable Federal and State laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

Encumbrances

As discussed in Note 2, Stewardship, Compliance and Accountability, budgetary control for budgetary purposes includes the impact of encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. At September 30, 2017, there were outstanding encumbrances in the General fund of $748,373.

Construction Commitments

The City has active construction and information technology projects at fiscal year end. The key projects in progress include improvements to transportation infrastructure, water and wastewater systems, park system and city facilities. At fiscal year end, the City's commitments with contractors and vendors are as follows:

Capital Projects	Spent-to-Date	Remaining Commitment
Governmental Activities:		
Transportation	$ 4,191,375	$ 4,119,097
Administrative services	3,869,129	840,316
Public recreation and culture	2,516,322	1,940,574
Public Safety	5,711,381	4,789,558
Business-Type Activities:		
Water and Sewer	52,227,885	5,688,915
Total	$ 68,516,093	$ 17,378,460

These commitments will be funded through unspent bond proceeds, capital grants and unrestricted cash.

Lease Agreements

Commitments under operating lease agreements for equipment are immaterial; therefore, minimum annual rental payments are not presented.

NOTE 16: NEW PRONOUNCEMENTS

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

In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits for OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for periods beginning after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The statement will become effective for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and post employment benefit arrangements that are fiduciary activities. The statement will become effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and post employment benefits. The statement will become effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The statement will become effective for periods beginning after June 16, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. The statements will become effective for periods beginning after December 15, 2019.

The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

NOTE 17: SUBSEQUENT EVENTS

In December 2017, the City issued $32,715,000 of General Obligation Refunding Bonds, Series 2017. The proceeds will be used to refund a portion of the City’s outstanding debt in order to lower the overall debt service requirements of the City.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

CITY OF ABILENE, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF $4,880,000

AS BOND COUNSEL FOR THE CITY OF ABILENE, TEXAS (the “Issuer”) in connection with the issuance of the General Obligation Bonds, Series 2018, described above (the “Bonds”), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the “Ordinance”).

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Ordinance.

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

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EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

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

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

CITY OF ABILENE, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018A
IN THE AGGREGATE PRINCIPAL AMOUNT OF $10,215,000

AS BOND COUNSEL FOR THE CITY OF ABILENE, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018A, described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the

Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

CITY OF ABILENE, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018B
IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,615,000

AS BOND COUNSEL FOR THE CITY OF ABILENE, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018B, described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the

Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

Financial Advisory Services
Provided By

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