OFFICIAL STATEMENT

Dated March 8, 2018

Ratings:
S&P: "AA"
Fitch: "AA+"
(See "OTHER INFORMATION-Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the 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.

$16,500,000
CITY OF SAN ANGELO, TEXAS
(Tom Green County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: March 1, 2018 | **Due: August 15, 2018; February 15**
Interest to Accrue from the Date of Initial Delivery | **as shown on the inside cover page**

PAYMENT TERMS . . . Interest on the $16,500,000 City of San Angelo, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the date of initial delivery, will be payable February 15 and August 15 of each year commencing August 15, 2018 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the 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 Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The 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, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and constitute direct obligations of the City of San Angelo, 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 of surplus net revenues (not to exceed $1,000) of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). In the Certificate Ordinance, the City Council delegated to an officer of the City, pursuant to Chapter 1371, authority to complete the sale of the Certificates. The terms of sale are included in a "Pricing Certificate" which completes the sale of the Certificates (the Certificate Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance" and "– Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used to (i) provide funds for street improvement projects; and (ii) pay the costs of issuing the Certificates.

CUSIP PREFIX: 796099
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS
ON THE REVERSE OF THIS PAGE

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on April 10, 2018.

CUSIP Prefix: 796099 [(1)]

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
8/15/2018	$ 1,335,000	3.000%	1.300%	ZU6
2/15/2019	810,000	3.000%	1.550%	ZV4
2/15/2020	1,000,000	3.000%	1.600%	ZW2
2/15/2021	105,000	3.000%	1.800%	ZX0
2/15/2022	305,000	3.000%	2.000%	ZY8
2/15/2023	350,000	3.000%	2.150%	ZZ5
2/15/2024	375,000	3.000%	2.300%	A25
2/15/2025	175,000	3.000%	2.450%	A33
2/15/2026	335,000	3.000%	2.600%	A41
2/15/2027	450,000	5.000%	2.570%	A58
2/15/2028	665,000	5.000%	2.700%	A66
2/15/2029	735,000	5.000%	2.790% [(2)]	A74
2/15/2030	965,000	3.000%	3.050%	A82
2/15/2031	990,000	3.000%	3.160%	A90
2/15/2032	1,025,000	3.000%	3.250%	B24
2/15/2033	1,055,000	3.125%	3.350%	B32
2/15/2034	1,090,000	3.250%	3.450%	B40
2/15/2035	1,125,000	3.250%	3.500%	B57
2/15/2036	1,165,000	3.375%	3.550%	B65
2/15/2037	1,200,000	3.375%	3.600%	B73
2/15/2038	1,245,000	3.500%	3.650%	B81

(Interest Accrues from the Date of Initial Delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. 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 Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(2) Yield shown is yield to first call date, February 15, 2028.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the 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 CERTIFICATES - Optional Redemption").

This Official Statement, which includes the cover pages, inside cover pages, Schedule 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.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. 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 herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES 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.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES.

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

TABLE OF CONTENTS

The cover pages hereof, this page, the schedule, the 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 Certificates 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 San Angelo is a political subdivision and home-rule municipal corporation of the State, located in Tom Green County, Texas. The City covers approximately 58.61 square miles (see "INTRODUCTION - Description of City").

THE CERTIFICATES .... The Certificates are issued as $16,500,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018. The Certificates are issued as serial certificates maturing August 15, 2018 and February 15 in each of the years 2019 through 2038 (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of delivery, and is payable August 15, 2018, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE .... The 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, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and the ordinance passed by the City Council of the City (the "Certificate Ordinance"). In the Certificate Ordinance, the City Council delegated to an officer of the City, pursuant to Chapter 1371, authority to complete the sale of the Certificates. The terms of sale are included in a "Pricing Certificate" which completes the sale of the Certificates (the Certificate Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance").

SECURITY FOR THE CERTIFICATES........................... 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 of surplus net revenues (not to exceed $1,000) of the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment").

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem the 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 CERTIFICATES - Optional Redemption").

TAX EXEMPTION.......................... In the opinion of Bond Counsel, the interest on the Certificates 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.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used to (i) provide funds for street improvement projects; and (ii) pay the costs of issuing the Certificates.

RATINGS .... The Certificates are rated "AA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC business ("S&P") and "AA+" by Fitch Ratings ("Fitch"). The City also has issues outstanding which are insured by various commercial insurance companies. The City has outstanding tax supported ratings of "AA" by S&P, "AA+" by Fitch and "Aa2" by Moody's Investors Service, Inc. ("Moody's"). An application for a rating on the Certificates was not made to Moody's (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM...... The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the 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 Certificates (see "THE CERTIFICATES - Book-Entry-Only System") .

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Per Capita Taxable Assessed Valuation	General Obligation G.O. Tax Debt (3)	G.O. Tax Debt Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed	% of Total Tax Collections to Tax Levy
2014	98,975	$ 4,013,543,416	$ 40,551	$ 192,000,000	$ 1,940	4.78%	101.47%
2015	100,450	4,401,912,327	43,822	192,595,000	1,917	4.38%	100.49%
2016	100,450	4,802,648,604	47,811	191,155,000	1,903	3.98%	99.57%
2017	100,450	4,996,415,726	49,740	173,690,000	1,729	3.48%	98.44%
2018	100,450	5,249,068,710	52,256	173,890,000 (4)	1,731	3.31%	57.64% (5)

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(1) Source: Estimated by the City.
(2) As reported by the Tom Green County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes Self-Supporting Debt.
(4) Projected, includes the Certificates.
(5) Partial Collections as of January 31, 2018.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
Fund Balance at Beginning of Year	$ 35,956,143	$ 30,366,582	$ 21,844,938	$ 15,552,359	$ 12,610,500
Total Revenue	72,605,888	66,986,980	67,356,765	62,738,642	58,033,915
Total Expenditures	72,209,393	66,900,932	61,370,498	60,269,615	59,505,106
Other Financing Sources (Uses)	5,084,226	5,937,547	3,534,331	4,156,137	4,413,050
Restatement of Beginning Fund Balance	(2,594,511)	(434,034)	(998,954)	(332,585)	-
Fund Balance at End of Year	$ 38,842,353	$ 35,956,143	$ 30,366,582	$ 21,844,938	$ 15,552,359

For additional information regarding the City, please contact:

Ms. Tina Dierschke, CPA
Director of Finance
City of San Angelo
72 West College Avenue
San Angelo, Texas 76903
Phone: (325) 657-4270
Fax: (325) 658-3608

or

Mr. Vince Viaille
Specialized Public Finance Inc.
4925 Greenville Avenue, Suite 1350
Dallas, Texas 75206
Phone: (214) 373-3911
Fax: (214) 373-3913

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Brenda Gunter Mayor	6 Months	May, 2021	Business Owner
Tommy Hiebert [(1)] Councilmember	6 Months	May, 2019	Insurance Agent
Tom Thompson Councilmember	6 Months	May, 2021	Marketing Director
Harry Thomas Councilmember	2 Years	May, 2019	Retired
Lucy Gonzales Councilmember	4 Years	May, 2021	Retired
Lane Carter Councilmember	2 Years	May, 2019	Nurse
Billie DeWitt Councilmember	6 Months	May, 2021	Retired

(1) Mr. Hiebert filled a seat vacated mid-term.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Employment Current Position	Length of Employment with City
Daniel Valenzuela	City Manager	5 Years	5 Years
Michael Dane	Assistant City Manager	6 Years	19 Years
Tina Dierschke	Director of Finance	4 Years	4 Years
Bryan Kendrick	City Clerk	3 Years	9 Years
Theresa James	City Attorney	2 Years	2 Years

CONSULTANTS AND ADVISORS

Auditors .... Armstrong, Backus & Co., LLP
San Angelo, Texas

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

Financial Advisor.......... Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$16,500,000
CITY OF SAN ANGELO, TEXAS
(Tom Green County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $16,500,000 City of San Angelo, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in an ordinance adopted by the City Council (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates 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, Specialized Public Finance Inc.

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 1903, and first adopted its Home Rule Charter in 1915. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is four years with the terms of the Mayor and three of the Councilmembers' terms expiring in odd-numbered years and the other terms of the other three Councilmembers expiring in even-numbered years. 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, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 93,200. The City covers approximately 58.61 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated March 1, 2018 (the "Dated Date"), and mature on August 15 and February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the date of delivery and will be payable on February 15 and August 15, commencing August 15, 2018 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the 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 Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The 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, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and the Ordinance. In the Ordinance, the City Council delegated to an officer of the City, pursuant to Chapter 1371, authority to complete the sale of the Certificates. The terms of sale are included in a "Pricing Certificate" which completes the sale of the Certificates (the Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance").

SECURITY AND SOURCE OF PAYMENT . . . 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 are additionally payable from a limited pledge of surplus net revenues (not to exceed $1,000) of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt services, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the 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.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the 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. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (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 Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates 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 Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, 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 Certificates 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 CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure 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 Certificates, 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 Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligation of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are, on the date the City Council approves such defeasance, rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are, on the date the City Council approves such defeasance, 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 Certificates shall no longer be regarded as being outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates are to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates 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 Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Direct Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), 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 Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated 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 corporations 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The 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.

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Certificates will be made to 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 on payable dates 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 in 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, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates 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 Certificates 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and 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 Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. In the 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 Certificates 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 Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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 Certificates will be delivered to the registered owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar 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. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange (i) any Certificate 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 Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates 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 five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate 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 the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the 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.

The Ordinance further provides that the holders of the Certificates, aggregating in principal amount 51% of the outstanding Certificates, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates 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, as applicable, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the 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, as applicable, or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia* (197 S.W.3rd 325 (Tex. 2006), 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 may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates, in the absence of action by the City Council. 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 in connection with the issuance of the Certificates, the City has not waived sovereign immunity, and therefore, bondholders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants.

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 of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as DTC's nominee. See "Book-Entry-Only System" herein.

PURPOSE . . . Proceeds from the sale of the Certificates will be used to (i) provide funds for street improvement projects; and (ii) pay the costs of issuing the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

SOURCES OF FUNDS:	
Principal Amount of the Certificates	$16,500,000.00
Cash Premium	167,855.66
Total Sources of Funds	$16,667,855.66
USES OF FUNDS:	
Deposit to the Project Construction Fund	$16,500,000.00
Costs of Issuance	163,750.00
Rounding Amount	4,105.66
Total Uses of Funds	$16,667,855.66

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Tom Green County Appraisal District (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 the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. 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 not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised 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 V.T.C.A., Title I, Tax Code (the "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.

After the exemption described in (i) above is authorized, such exemption may be repealed or decreased or increased in amount (a) by the governing body of the political subdivision or (b) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the exemption listed in (i) above 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 addition, cities are authorized to refrain from increasing the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based upon the disability or age of the owner or (2) the year the city chooses to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City must call an election to determine by majority vote whether to establish such a tax limitation. 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 repairs or improvements required to comply with governmental requirements) 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 repealed or rescinded.

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, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, 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; additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Cities may limit the total ad valorem tax (except for increases attributable to certain improvements) on the residence homestead of the disabled or persons 65 years of age or older and their spouses to the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the City chose to establish the above-referenced limitation. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. Once established, a city may not repeal or rescind the tax limitation. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by a city may not be increased while it remains the residence homestead of that person’s surviving spouse if the spouse is fifty-five years of age or older or disabled at the time of the person’s death. A proportionate share of the limitation applicable to a person’s homestead is transferred to a new residence homestead of such person if the person moves to a different residence within the same city.

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, is 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 of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport. Property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. 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. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in- transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property.

The City may create one or more tax increment financing districts ("TIFD") within the City pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the City created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit=s tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit=s percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under such tax abatement 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. A tax abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("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, a city may make loans or grants of public funds 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.

See "TAX INFORMATION – City Application of Tax Code" for a description of exemptions granted by the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The City Council will be 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". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a 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 pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. 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 accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. 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. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. 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 a freeze to the market value of the residence homestead of persons 65 years of age or older rather than a set exemption amount; the disabled are also granted a freeze on their homestead.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Tom Green County Appraisal District collects taxes for the City.

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

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does participate in tax increment financing zones.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 75% for a period of three years. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT REINVESTMENT ZONE . . . In 2006, the City created a tax increment reinvestment zone (the "Zone"), covering approximately 1,319 acres in the downtown area and an area north of downtown, to fund improvements and provide incentives for the development and redevelopment of property within the Zone. The City has adopted a Zone incentive policy, which is periodically updated, that sets forth eligibility requirements and the types and amounts of projects and incentives that may be funded by the Zone. The City contributes 100% of its tax increments to the Zone Fund. In fiscal year 2014-2015, the City contributed approximately $399,412 to the Zone Fund and $392,494 in fiscal year 2015-2016.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/2018 Market Valuation Established by Tom Green County Appraisal District		$6,098,413,140
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Local Option)	$ 583,102,650	
Disabled Veterans Exemptions	70,654,390	
Freeport Exemptions	26,665,092	
Historic Tax Exemptions	2,151,388	
Pollution Control Reductions	5,762,219	
Other	161,008,691	$ 849,344,430
2017/18 Taxable Assessed Valuation		$5,249,068,710
City Funded Debt Payable from Ad Valorem Taxes (as of 1/31/18)		$ 173,530,000
The Certificates		16,500,000
		$ 190,030,000
Less: Self-Supporting Debt (as of 1/31/18) [(1)]		
Waterworks & Sewer System Supported General Obligation Debt	$114,280,000	
Sales Tax Revenue Supported General Obligation Debt	25,645,000	
Lease Revenue Supported General Obligation Debt	905,000	140,830,000
General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 49,200,000
Interest and Sinking Fund as of 1/31/18		$ 4,589,636
Ratio Funded Debt to Taxable Assessed Valuation		3.31%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.94%

2017 Estimated Population - 100,450

Per Capita Taxable Assessed Valuation $52,256

Per Capita Funded Debt (includes Self-Supporting) $1,728

Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - $490

---

(1) "Waterworks & Sewer System General Obligation Debt" includes $13,890,000 of General Obligation Refunding Bonds, Series 2011, $85,635,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2011B, and $7,360,000 of the General Obligation Refunding Bonds, Series 2014 and $7,395,000 of General Obligation Refunding Bonds, Series 2017A. "Sales Tax Revenue Supported General Obligation Debt" includes the currently outstanding $100,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2008, $1,335,000 of Combination Tax and Revenue Certificates of Obligation, Series 2011, $4,290,000 General Obligation Refunding Bonds, Series 2012 and $8,600,000 General Obligation Refunding Bonds, Series 2016 and $11,320,000 of General Obligation Refunding Bonds, Series 2017B.

"Ambulance Fee Supported General Obligation Debt" includes a portion of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015. The $200,000 annual amount on the bond is debt service. It is at the City's discretion how it will apply the funds to principal and interest.

"Lease Revenue Supported General Obligation Debt" includes the currently outstanding $905,000 of General Obligation Refunding Bonds, Series 2011. Revenues derived from the lease on the Monarch Tile Building and the Stables Block Buildings are sufficient to service the debt.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$3,883,673,601	63.68%	$3,793,001,870	65.19%	$3,579,802,735	64.19%
Real, Residential Multi-Family	234,301,830	3.84%	188,564,250	3.24%	177,705,370	3.19%
Real, Vacant Lots/Tracts	103,094,044	1.69%	69,721,470	1.20%	71,447,860	1.28%
Real, Acreage (Land Only)	12,820,780	0.21%	12,352,010	0.21%	10,594,310	0.19%
Real, Farm and Ranch Improvements	14,806,580	0.24%	14,363,890	0.25%	12,003,150	0.22%
Real, Commercial and Industrial	919,130,050	15.07%	841,733,490	14.47%	793,409,860	14.23%
Real and Tangible Personal, Utilities	123,506,110	2.03%	110,578,280	1.90%	114,008,000	2.04%
Tangible Personal, Commercial and Industrial	741,620,665	12.16%	727,634,050	12.51%	751,589,500	13.48%
Tangible Personal, Mobile Homes	8,534,720	0.14%	8,544,660	0.15%	8,239,590	0.15%
Real Property, Inventory	12,915,660	0.21%	8,830,380	0.15%	9,399,100	0.17%
Special Inventory	44,009,100	0.72%	43,404,420	0.75%	48,454,990	0.87%
Total Appraised Value Before Exemptions	$6,098,413,140	100.00%	$5,818,728,770	100.00%	$5,576,654,465	100.00%
Less: Total Exemptions/Reductions	(849,344,430)		(822,313,044)		(774,005,861)	
Taxable Assessed Value	$5,249,068,710		$4,996,415,726		$4,802,648,604	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$3,263,205,914	64.28%	$2,893,469,722	63.38%
Real, Residential Multi-Family	178,080,190	3.51%	164,708,940	3.61%
Real, Vacant Lots/Tracts	66,311,990	1.31%	55,560,100	1.22%
Real, Acreage (Land Only)	10,230,880	0.20%	13,637,500	0.30%
Real, Farm and Ranch Improvements	12,192,170	0.24%	9,982,930	0.22%
Real, Commercial and Industrial	756,840,420	14.91%	694,311,130	15.21%
Real and Tangible Personal, Utilities	104,157,500	2.05%	88,532,160	1.94%
Tangible Personal, Commercial and Industrial	627,319,760	12.36%	588,650,210	12.89%
Tangible Personal, Mobile Homes	6,294,180	0.12%	6,576,580	0.14%
Real Property, Inventory	11,633,390	0.23%	13,754,790	0.30%
Special Inventory	40,602,170	0.80%	35,808,460	0.78%
Total Appraised Value Before Exemptions	$5,076,868,564	100.00%	$4,564,992,522	100.00%
Less: Total Exemptions/Reductions	(674,956,237)		(551,449,106)	
Taxable Assessed Value	$4,401,912,327		$4,013,543,416	

NOTE: Valuations shown are certified taxable assessed values reported by the Tom Green County Appraisal District 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.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed	G.O. Tax Debt Per Capita
2014	98,975	$ 4,013,543,416	$ 40,551	$ 192,000,000	4.78%	$ 1,940
2015	100,450	4,401,912,327	43,822	192,595,000	4.38%	1,917
2016	100,450	4,802,648,604	47,811	191,155,000	3.98%	1,903
2017	100,450	4,996,415,726	49,740	173,690,000	3.48%	1,729
2018	100,450	5,249,068,710	52,256	173,890,000 (4)	3.31%	1,731

(1) Source: Estimated by the City.
(2) As reported by the Tom Green County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2014	$ 0.77600	$ 0.69600	$ 0.08000	$ 29,351,949	99.83%	101.47%
2015	0.77600	0.69600	0.08000	30,651,256	99.11%	100.49%
2016	0.77600	0.67740	0.09860	35,569,387	98.40%	99.57%
2017	0.77600	0.67740	0.09860	36,989,900	97.09%	98.44%
2018	0.77600	0.68240	0.09360	38,762,807	56.85% (1)	57.64% (1)

(1) Partial Collections as of January 31, 2018.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2017/2018 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wal Mart Inc	Retail	$ 73,041,890	1.39%
AEP Texas North	Utility	51,655,116	0.98%
Ethicon Inc	Manufacturing	44,198,010	0.84%
Envoy Air	Transportation	41,352,970	0.79%
Hirschfeld Steel & Energy Company	Manufacturing	32,816,970	0.63%
C & J Well Services Inc.	Petroleum	31,228,490	0.59%
Sunset Mall	Mall-Real Estate	21,127,730	0.40%
San Angelo Hospital	Hospital	20,709,990	0.39%
Glazers	Wholesale	20,568,230	0.39%
Lithia Inc	Auto Dealer	19,071,800	0.36%
		$ 355,771,196	6.78%

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 "Tax Rate Limitation").

Table 6 - Tax Adequacy [1]

2018 Net Tax Supported Debt Principal and Interest Requirements	$ 4,894,661
$0.0962 Tax Rate at 97% Collection Produces	$ 4,898,116
Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2018 - 2038	$ 2,921,832
$0.0574 Tax Rate at 97% Collection Produces	$ 2,922,576
Maximum Net Tax Supported Debt Principal and Interest Requirements, 2018	$ 4,894,661
$0.0962 Tax Rate at 97% Collection Produces	$ 4,898,116

(1) Projected, includes the Certificates and excludes self-supporting debt.

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. 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	Total G.O. Funded Tax Debt 1/31/2018	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 1/31/2018
City of San Angelo	$ 49,200,000 [1]	100.00%	$ 49,200,000 [1]
Tom Green County	59,515,000	77.34%	46,028,901
San Angelo ISD	105,829,982	92.24%	97,617,575
Veribest ISD	1,135,000	6.71%	76,159
Wall ISD	18,000,000	5.82%	1,047,600
Grape Creek ISD	2,420,000	0.27%	6,534
Total Direct and Overlapping G.O. Debt			$ 193,976,769
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			3.70%
Per Capita Overlapping G.O. Debt			$ 1,931

(1) Includes the Certificates and excludes self-supporting debt.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Certificates (1) Principal	The Certificates (1) Interest	The Certificates (1) Total	Total Debt Service Requirements	Less: Waterworks & Sewer System Self-Supporting Debt	Less: Sales Tax Revenue Self-Supporting Debt	Less: Ambulance Fee Self-Supporting Debt	Less: Lease Revenue Self-Supporting Debt	Net Tax Supported Debt Service Requirements	% of Principal Retired
2018	$ 14,805,000	$ 4,214,329	$ 19,019,329	$1,335,000	$ 192,344	$ 1,527,344	$ 20,546,672	$ 12,264,649	$ 2,663,088	$ 200,000	$ 524,275	$ 4,894,661	
2019	14,470,000	3,994,040	18,464,040	810,000	501,750	1,311,750	19,775,790	12,270,734	2,561,525	200,000	110,113	4,633,418	
2020	14,795,000	3,654,185	18,449,185	1,000,000	474,600	1,474,600	19,923,785	12,288,404	2,552,250	200,000	111,450	4,771,681	
2021	15,255,000	3,276,664	18,531,664	105,000	458,025	563,025	19,094,689	12,366,042	2,566,094	200,000	111,825	3,850,728	
2022	12,950,000	2,917,117	15,867,117	305,000	451,875	756,875	16,623,992	9,681,223	2,565,394	200,000	107,100	4,070,275	39.90%
2023	12,275,000	2,601,644	14,876,644	350,000	442,050	792,050	15,668,694	9,693,694	2,565,600	200,000	-	3,209,400	
2024	11,010,000	2,298,607	13,308,607	375,000	431,175	806,175	14,114,782	8,250,020	2,569,038	200,000	-	3,095,725	
2025	10,975,000	1,991,127	12,966,127	175,000	422,925	597,925	13,564,052	8,250,627	2,565,600	200,000	-	2,547,825	
2026	9,945,000	1,702,691	11,647,691	335,000	415,275	750,275	12,397,966	8,248,791	1,243,900	200,000	-	2,705,275	
2027	10,060,000	1,434,549	11,494,549	450,000	399,000	849,000	12,343,549	8,088,299	1,245,800	200,000	-	2,809,450	69.35%
2028	9,060,000	1,184,060	10,244,060	665,000	371,125	1,036,125	11,280,185	6,850,935	1,241,400	200,000	-	2,987,850	
2029	9,290,000	950,840	10,240,840	735,000	336,125	1,071,125	11,311,965	6,850,290	1,240,700	200,000	-	3,020,975	
2030	8,640,000	727,370	9,367,370	965,000	303,275	1,268,275	10,635,645	6,849,070	1,243,500	200,000	-	2,343,075	
2031	8,850,000	517,542	9,367,542	990,000	273,950	1,263,950	10,631,492	6,850,173	1,239,800	200,000	-	2,341,519	
2032	2,145,000	373,456	2,518,456	1,025,000	243,725	1,268,725	3,787,181	-	1,239,600	200,000	-	2,347,581	91.64%
2033	2,225,000	296,556	2,521,556	1,055,000	211,866	1,266,866	3,788,422	-	1,242,700	200,000	-	2,345,722	
2034	2,305,000	216,038	2,521,038	1,090,000	177,669	1,267,669	3,788,706	-	1,244,000	200,000	-	2,344,706	
2035	2,385,000	131,894	2,516,894	1,125,000	141,675	1,266,675	3,783,569	-	1,238,600	200,000	-	2,344,969	
2036	2,090,000	44,550	2,134,550	1,165,000	103,734	1,268,734	3,403,284	-	1,240,250	-	-	2,163,034	
2037	-	-	-	1,200,000	63,825	1,263,825	1,263,825	-	-	-	-	1,263,825	99.34%
2038	-	-	-	1,245,000	21,788	1,266,788	1,266,788	-	-	-	-	1,266,788	100.00%
	$173,530,000	$32,527,257	$206,057,257	$16,500,000	$6,437,775	$22,937,775	$228,995,032	$128,802,951	$34,268,838	$3,600,000	$964,763	$61,358,480	

(1) Interest on the Certificates has been calculated at the rates set forth on the inside cover.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Gross Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-18 (1)		$ 20,546,672
Estimated Interest and Sinking Fund Balance, 9-30-17 (2)	$ 1,769,906	
Budgeted Transfers from Water and Sewer Fund	12,264,649	
Budgeted Tranfers from EDC	2,663,088	
Lease Payments	524,275	
Ambulance Fee	200,000	
Use of existing Interest and Sinking Fund Balance	(400,000)	
Interest and Sinking Fund Tax Levy	4,913,128	21,935,046
Estimated Balance Fiscal Year Ending 9-30-18		$ 1,388,374

(1) Includes Self-Supporting Debt.
(2) Unaudited.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT (1)

Net Waterworks and Sewer System Revenue Available, as of 9-30-16	$ 23,479,302
Less: Requirements for Revenue Bonds for Fiscal Year 2018	10,360,691
Balance Available for Other Purposes	$ 13,118,611
General Obligation Waterworks and Sewer System Revenue Supported Debt for Fiscal Year 2018	$ 12,264,649
Percentage of System General Obligation Bonds Self-Supporting	100%
Net Sales Tax Revenue Available, as of 9-30-16	$ 17,147,214
Less: Requirements for Revenue Bonds for Fiscal Year 2018	-
Balance Available for Other Purposes	$ 17,147,214
General Obligation Sales Tax Revenue Supported Debt for Fiscal Year 2018	$ 2,663,088
Percentage of System General Obligation Bonds Self-Supporting	100%

(1) Unaudited.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds. The City may also incur non-voted debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not have any immediate plans to issue additional general obligation debt.

TABLE 12 – OTHER OBLIGATIONS

Colorado River Municipal Water District

Project Name: Spence Dam and Reservoir (Spence) – By contract dated August 19, 1997; the City exercised its option to continue receiving water for the entire useful life of the dam and reservoir. Monthly payments of $76,440 from January 1, 1996 through September 30, 2021 are required under the new contract. Payments under the prior contract and the current one will total $3,866,330.

Project Name: Ivie Pipeline – Annual payments of $598,296 to $761,827 are required through the year 2021 for the retirement of the contractor's debt. Total estimated payments are approximately $22,322,669. The City is responsible for the operation and maintenance of the pipeline system to its juncture point just north of the city limits for the entire life of the system as follows:

Central Control Station and System	27.78%
Minimum Electric Power Charges	31.25%
Other Electric	pro-rata for water received

The City's annual commitments under the contracts are as follows:

Fiscal Year Ended 9/30	Spence	Ivie Pipeline	Total
2017	$ 76,440	$ 598,296	$ 674,736
2018	76,440	636,101	712,541
2019	76,440	676,984	753,424
2020	76,440	717,867	794,307
2021	76,440	761,827	838,267
	$ 382,200	$ 3,391,075	$ 3,773,275

The City paid $1,411,997 under all of these water purchase contracts in the Fiscal Year Ended September 30, 2016.

Operating Leases

The City rents copiers on a month to month basis. Total rental cost for the Fiscal Year Ended September 30, 2016 was $206,643.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note # VI.)

Beginning with fiscal year ending September 30, 2009, the City of San Angelo is required to account for their retiree medical plan using the Governmental Standards Accounting Board Statement Number 45 ("GASB 45"). Whereas before, these benefits were accounted for on a "pay-as-you-go" basis, now they must be accrued not when they are paid but when they are earned, i.e. during active service. Thus, during each year of active service, a piece of the present value of the future retirement benefit must be accrued so that when the employee reached retirement age, the benefit is fully accrued. (For more detailed information concerning GASB 45, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note # VI.B.)

OTHER POST EMPLOYMENT BENEFITS. . .The City provides certain health care benefits to its retirees and their dependents. Governmental Accounting Standards Board's Statement of General accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Post-Employment Benefits ("OPEB"), released in June 2004, which sets forth standards for the measurement, recognition, and display of post-employment benefits other than pensions (such as health and life insurance for current and future retirees), applies to the City and requires implementation by the City for the 2008/2009 Fiscal Year. GASB 45 requires the City to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 must be recorded as a liability in the employer's financial statements.

House Bill No. 2365, which was passed during the Regular Session of the 80th Texas Legislature ("HB 2365"), establishes an alternative, statutorily-based comprehensive basis for Texas governmental entities to account for OPEB obligations. HB 2365 permits political subdivisions to elect whether to report retiree health benefits (i) on a pay-as-you go basis or (ii) per the methodology established by GASB 45. Governmental entities that elect to report on a pay-as-you-go basis pursuant to HB 2365, would have the option of reporting the information required by GASB 45 in the footnotes to their financial statements. However, governmental entities that elect to report OPEB liabilities in accordance with HB 2365 (in lieu of GASB 45) may receive qualified and/or adverse opinions from outside auditors and their bond ratings could be adversely affected.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET POSITION

	Fiscal Years Ended September 30,				
REVENUES	2016	2015	2014	2013	2012
Program Revenues:					
Charges for services	$11,087,789	$10,228,363	$10,340,379	$10,939,664	$11,689,983
Operating grants and contributions	3,443,621	3,243,424	3,093,348	3,445,662	3,681,990
Capital grants and contributions	5,167,884	279,866	266,916	297,316	317,708
General Revenues:					
Property Taxes - General Levy	30,505,494	29,211,420	29,408,664	26,046,155	25,351,444
Property Taxes - Debt Service Levy	7,556,437	6,533,532	6,477,888	5,679,961	3,314,735
Payment in Lieu of Taxes	-	-	-	-	9,165
Sales Taxes	17,147,214	19,253,436	18,948,114	17,257,554	22,633,111
Franchise Taxes	4,349,480	4,472,891	4,362,554	3,934,338	3,885,969
Motel Taxes	1,960,114	2,373,746	3,215,315	2,881,827	2,237,409
Mixed Drink Taxes	332,309	367,194	342,489	239,783	210,199
Bingo Taxes	42,505	39,883	41,857	46,826	41,804
Penalty, Interest and Fees on Delinquent Taxes	337,978	295,222	336,332	372,288	223,844
Investment Income	691,470	446,208	222,538	149,045	264,080
Miscellaneous	1,235,450	975,710	1,299,586	1,983,470	677,892
Gain (Loss) on Sale of Fixed Assets	-	-	-	-	694,080
Total Revenues	$83,857,745	$77,720,895	$78,355,980	$73,273,889	$75,233,413
EXPENSES					
Governmental Activities:					
General Government	$15,503,820	$14,693,548	$13,687,242	$12,180,551	$10,863,196
Public Safety	45,843,672	40,093,771	37,912,268	36,925,673	36,379,803
Public Works and Transportation	12,554,602	10,151,004	7,271,354	9,379,877	8,123,640
Public Facilities	3,790,497	2,742,086	2,574,982	2,616,279	2,468,554
Health and Human Services	3,697,454	3,222,433	2,989,869	3,033,911	3,288,315
Culture, parks and recreation	8,076,896	7,147,927	6,513,566	7,619,225	5,999,809
Economic Development	392,494	368,283	495,557	1,211,080	3,463,923
Urban Redevelopment and Housing	1,051,058	938,418	970,756	1,552,520	2,163,356
Interest and Fiscal Charges	2,153,962	2,350,993	2,539,485	840,512	1,878,828
Total Expenses	$93,064,455	$81,708,463	$74,955,079	$75,359,628	$74,629,424
Increase in net assets before special items	$ (9,206,710)	$ (3,987,568)	$ 3,400,901	$ (2,085,739)	$ 603,989
Transfers	$ 4,800,468	$ 5,825,678	$ 3,775,844	$ 4,197,654	$ 2,299,082
Special item - gain on sale of fixed assets	-	-	-	(3,357)	-
Increase (Decrease) in Net Assets	$ (4,406,242)	$ 1,838,110	$ 7,176,745	$ 2,108,558	$ 2,903,071
Net Position - Beginning	$22,386,940	$62,589,340	$51,083,574 (1)	$60,998,751	$58,095,680
Restatement of Beginning Net Assets	(16,364)	(42,040,510) (2)	4,329,021	(12,028,685) (2)	-
Net Position - Ending	$17,964,334	$22,386,940	$62,589,340	$51,078,624	$60,998,751

(1) Restated.

(2) The City's governmental activities decrease is primarily due to a prior period adjustment for net pension liability that was retroactively restated as required by GASB Statement No. 68 – Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. See Note IV.H for more information.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2016	2015	2014	2013	2012
Taxes	$54,742,389	$55,976,044	$57,306,774	$51,225,069	$47,175,419
Licenses and Permits	868,449	765,603	860,118	753,014	736,870
Ingovernmental	4,870,744	-	-	-	-
Charges for Services	7,995,869	6,213,115	5,525,389	7,123,960	6,313,944
Fines and Forfeits	2,621,105	2,995,256	3,209,901	2,813,772	2,994,371
Interest	195,367	139,267	110,177	43,391	63,903
Change in Fair Value of Investments	77,061	22,380	(22,205)	-	-
Miscellaneous	1,234,904	875,315	366,611	779,436	749,408
Total Revenues	$72,605,888	$66,986,980	$67,356,765	$62,738,642	$58,033,915
Expenditures:					
Current:					
General Government	$10,869,576	$10,011,264	$ 9,477,008	$ 9,366,929	$ 9,870,672
Public Safety	38,644,323	36,144,746	35,102,993	33,887,752	33,660,490
Public Works and Transportation	11,354,116	9,335,212	6,685,555	8,503,905	7,441,967
Public Facilities	998,644	914,595	918,650	889,044	572,268
Health and Human Services	1,520,220	1,429,209	1,324,225	1,368,365	1,269,727
Culture, Parks and Recreation	6,096,577	5,402,451	5,172,881	5,001,805	4,420,252
Capital Outlay	2,725,937	3,663,455	2,689,186	1,251,815	2,269,730
Total Expenditures	$72,209,393	$66,900,932	$61,370,498	$60,269,615	$59,505,106
Excess (Deficiency) of Revenue Over (Under) Expenditures	$ 396,495	$ 86,048	$ 5,986,267	$ 2,469,027	$ (1,471,191)
Other Financing Sources (Uses):					
Transfers In	$ 5,530,251	$ 6,272,853	$ 4,212,744	$ 4,429,583	$ 4,737,195
Sale of Capital Assets	36,734	131,494	(118,032)	97,381	144,570
Transfers Out	(482,759)	(466,800)	(560,381)	(370,827)	(468,715)
Total Other Financing Sources (Uses)	$ 5,084,226	$ 5,937,547	$ 3,534,331	$ 4,156,137	$ 4,413,050
Net Change in Fund Balance	$ 5,480,721	$ 6,023,595	$ 9,520,598	$ 6,625,164	$ 2,941,859
Fund Balances - Beginning	$35,956,143	$30,366,582	$21,844,938	$15,552,359	$12,610,500
Restatement of Beginning Fund Balance	$ (2,594,511)	$ (434,034)	$ (998,954)	$ (332,585)	$ -
Fund Balances - Ending	$38,842,353	$35,956,143	$30,366,582	$21,844,938	$15,552,359

The unaudited General Fund balance as of September 30, 2017 was $22,382,521.

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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 Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
2014	$ 18,948,114	64.55%	$ 0.4721	$ 191
2015	19,253,436	62.81%	0.4374	192
2016	17,147,214	48.21%	0.3570	171
2017	16,547,040	44.73%	0.3312	165
2018	4,438,755 (1)	11.45%	0.0846	44

(1) Unaudited. Collections through December 31, 2017.

On September 11, 2004, 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 community and economic development (the "4B Sales Tax"). The 4B Sales Tax is collected solely for the benefit of the City of San Angelo Development Corporation, a nonprofit corporation established by the City under Section 4B of the Development Corporation Act of 1979 (art. 5190.6, V.T.C.S., as amended) (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation. The City and the Corporation have entered into agreements providing for the Corporation to make payments to the City, in amounts equal to the debt service on the currently outstanding $12,355,000 Combination Tax & Limited Surplus Revenue Certificates of Obligation, Series 2005 and the $9,945,000 Combination Tax & Limited Surplus Revenue Certificates of Obligation, Series 2008 (the "2005 and 2008 Certificates") issued, to pay the costs of the projects to be constructed by the City with the proceeds of the 2005 and 2008 Certificates. The only source of revenues available to the Corporation to make such payments are the receipts of the 4B Sales Tax. The payments to the City under the agreements are not pledged to the payment of the 2005 and 2008 Certificates and the holders of the 2005 and 2008 Certificates have no claim on payments under the agreements or the 4B Sales Tax and have no rights with respect to such agreements, which may be amended or terminated by the City and the Corporation. In the event payments under the agreements are insufficient or are terminated, the City is obligated to levy ad valorem taxes or provide other legally available funds to pay debt service on the 2005 and 2008 Certificates.

FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recognized when due. Those revenues susceptible to accrual are property taxes, charges for services, interest and grant revenues. Sales and other taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Licenses and permits, and fines and forfeits are not susceptible to accrual because generally they are not measurable until received in cash.

General Fund Balance . . . The City has an unwritten policy to maintain one month of operating revenues over expenditures in order to provide for any unexpected contingencies.

Debt Service Fund Balance . . . The City maintains a balance in the Debt Service Fund that is sufficient to provide for all principal of and interest on its outstanding obligations when due.

Use of Bond Proceeds, Grants, etc . . . The City has an unwritten policy that all proceeds of bonds, grants and interest thereon shall be budgeted and expended in accordance with City policy and applicable laws and regulations.

Budgetary Procedures . . . Prior to the beginning of each fiscal year, the City Manager submits a proposed annual budget to the City Council for the general, special revenue, debt service, enterprise, and internal service funds. Public hearings are held to obtain citizens' comments on the proposed budget. The budget is legally enacted prior to October 1 of each year by the adoption of a general appropriations ordinance. Expenditures cannot exceed the total appropriations at the fund level. Changes in the total budget for a fund can only be made by amendments approved by the City Council. Changes within and between departments in a fund, which do not change the total budget for that fund, can be made by management without the City Council's approval. Appropriations lapse at fiscal year end. Budgetary basis differs from GAAP in several ways: governmental funds' budgets do not include certain revenue and expenditure accruals and deferrals, and commodities distributed.

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation; (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) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code, as amended) (the "PFIA") (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in 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 primary government securities dealer or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated 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, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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 include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. 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, the City's 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 probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships 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) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) 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, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 15 - CURRENT INVESTMENTS

As of December 31, 2017, the City's investable funds were invested in the following categories:

Type of Investment	Market Value	% of Total Market Value
Municipal Bonds	$ 1,996,840	1.68%
First Financial Bank	32,585,517	27.40%
Fed. Agency Securities	84,364,216	70.93%
	$ 118,946,573	100.00%

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TAX MATTERS

OPINIONS . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates 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 will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See APPENDIX C - Form of Bond Counsel's Opinion.

In rendering the foregoing opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The foregoing opinion of Bond Counsel is 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 Issue.

The foregoing opinion of Bond Counsel represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. None of the aforementioned opinions is a guarantee of a result. 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 Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with any of aforementioned 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 Certificates 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 Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Securities"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Security, and (ii) the initial offering price to the public of such Original Issue Discount Security would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates 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 Security 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 Security 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 Security prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Security 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 Security was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Security 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 Issue 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 Security 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 Security.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Securities 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 Securities 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 Securities 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 Securities.

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 Certificates. 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 accumulated earnings and profits and excessive passive income, foreign corporation 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 WITH THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, 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 Certificates, 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 Certificates 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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis. 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 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2018. The City will additionally provide audited financial statements 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 information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such 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's current fiscal year end is September 30. Accordingly, the City must provide updated information by the last day of March in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data.

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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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 to the MSRB. The information will be available free of charge through the MSRB's EMMA system.

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 Certificates 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 Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates. 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 Certificates in the primary offering of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule except as follows: FY 2013 CAFR and FY 2013 annual disclosure documents were filed late. These documents have since been filed along with a notice of late filing.

OTHER INFORMATION

RATINGS . . . The Certificates are rated “AA” by S&P and “AA+” by Fitch. The City has outstanding tax supported ratings of “AA” by S&P, “AA+” by Fitch and “Aa2” by Moody’s. An application for a rating on the Certificates was not made to Moody’s. The City also has issues outstanding which are insured through insurance by various commercial insurance companies. 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 may have an adverse effect on the market price of the Certificates.

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 Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates 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 Certificates be assigned a rating of "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 Certificates 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 Certificates 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 Certificates 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 the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates 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 Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form or the Preliminary 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 describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., 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 Certificates, 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.

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of the Official Statement at a price of approximately 101.017% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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.

CERTIFICATION REGARDING THE OFFICIAL STATEMENT AND NO LITIGATION . . . At the time of payment for and delivery of the Certificates, the Purchaser will be furnished (i) a certificate of the City, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Certificates, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City set forth in the Official Statement; and (e) except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. 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 Ordinance authorizing the issuance of the Certificates 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 Certificates by the Purchaser.

This Official Statement has been approved by the Pricing Officer of the City for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

Tina Dierschke
Pricing Officer
City of San Angelo, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND POPULATION

The City of San Angelo, County Seat of Tom Green County (the "County"), Texas, is located in the West-Central region of Texas in the Concho Valley approximately 193 miles southeast of Lubbock, 259 miles southwest of Dallas, and 207 miles northwest of Austin.

POPULATION

Population figures for the City and County are as follows:

	City of San Angelo	Tom Green County
1970 Census	63,884	71,047
1980 Census	73,240	84,784
1990 Census	84,474	98,458
2000 Census	88,439	104,010
2010 Census	93,200	110,224

Sources: City of San Angelo, Texas A&M University, and Concho Valley Council of Governments.

ECONOMY

The City's economy is based on agriculture, mineral production, manufacturing, education, medicine, and military.

CITY OF SAN ANGELO LABOR FORCE ESTIMATES

		Annual Averages				
	December, 2017	2016	2015	2014	2013	2012
Civilian Labor Force	45,020	45,515	45,632	47,468	47,200	46,450
Total Employment	43,634	43,451	43,770	45,734	44,774	43,952
Unemployment	1,386	2,064	1,862	1,734	2,426	2,498
Percent Unemployment	3.1%	4.5%	4.1%	3.7%	5.1%	5.4%

Source: Texas Workforce Commission.

AGRICULTURE AND AGRIBUSINESS

Agricultural income is derived mostly from beef cattle, sheep and goats. The County is the nation's leading producer of wool and mohair.

Some crops are raised within the surrounding area which contribute to the City's agricultural income these crops include cotton, wheat, oats, sorghums and hay. There are approximately 30,000 acres of irrigated land in the surrounding area. The irrigated land is primarily used for cotton with some production of wheat and grain sorghums.

MINERAL

Oil and gas were discovered in Tom Green County in 1940.

MANUFACTURING

There are approximately 120 manufacturing facilities in the City employing approximately 5,400 persons which produce such products as sutures and needles, prefabricated steel, meat and beef processing, armored cars, gray-iron casting, footwear, millwork wood products, and soft drinks.

MAJOR EMPLOYERS [1]

Company	Type of Business	Estimated Employees January 2017
Goodfellow Air Force Base	Military Installation	5,127
Shannon Health System	Hospitals and Clinics	2,712
San Angelo ISD	Public School	1,973
Angelo State University	University	1,625
San Angelo State Supported Living Center	State School	950
City of San Angelo	Municipal Government	936
San Angelo Community Medical Center	Hospital	720
SITEL, Inc.	Teleservicing	602
Tom Green County	County Government	514
Ethicon, Inc. (Johnson & Johnson)	Sutures and Needles	510
Lone Star Beef Processors	Beef Processing	490
Hirschfeld Industries	Structural Steel and Steel Building Materials	330
Performant DCS/HCS/VFI	Government Contractor	375
BlueCross BlueShield of Texas	Medical Claims Processing	400
Reece Albert, Inc.	Highway and Street Construction	395
Baptist Retirement Center	Retirement Community	301
Stripes Convenience Stores	Convenience Stores	298

(1) Source: San Angelo Chamber of Commerce.

EDUCATION

San Angelo Independent School District (the "District") operates 17 elementary schools, 3 middle schools, and 3 high schools and has an area of approximately 205 square miles. The District also operates four special education schools for blind and deaf students as well as those with special needs.

In addition to San Angelo Independent School District, there are six private and/or parochial schools in the City which are certified up to ninth grade level.

Angelo State University, a member of the Texas Tech University System, is situated on 268 acres with an estimated property value of $128 million. The University has a student enrollment of 6,500. The University offers more than 100 majors and concentrations that lead to 43 undergraduate degrees, 20 master's degrees and one doctoral degree. Baccalaureate degrees offered include Arts, Business Administration, Music, Science, and Nursing. Masters degrees are offered in Arts, Arts in Teaching, Business Administration, Education, Public Administration, and Science. The University also offers continuing education programs.

Howard County Junior College, Big Spring, Texas, operates a major off-campus learning center within the City. College offerings include associates degree in Science, Arts, and Applied Science.

American Commercial College and San Angelo Vocational-Technological College are also located within the City offering courses in business and technology.

The San Angelo State School, operated by the State's Department of Mental Health and Mental Retardation is located in Carlsbad, Texas, approximately 10 miles northwest of San Angelo.

HOSPITALS AND MEDICAL CARE

The City is a regional medical center with two acute-care hospitals. The two hospitals are Shannon Medical Center with two campuses totaling 415 licensed beds and San Angelo Community Medical Center with 165 licensed beds. In addition to its hospitals, Shannon Health System and Columbia Medical Center operate clinics, rural health and other ancillary services.

There are over 200 practicing physicians and surgeons in the City. Other specialized medical facilities include: a regional rehabilitation center, a geriatric care facility and a mental health and drug rehabilitation hospital. There are currently seven nursing homes and an additional ten retirement centers providing a variety of living accommodations and levels of care, including Alzheimer's care. There are also over 50 practicing dentists in the City.[1]

(1) Source: San Angelo Chamber of Commerce.

MILITARY – GOODFELLOW AIR FORCE BASE

Goodfellow Air Force Base (the "Base") was established at the beginning of WWII by the Army Air Corps as a primary training base east of San Angelo. Today the Base serves as an intelligence training center for the Air Force as well as a fire and rescue training center for Army, Marines, and Air Force military branches; the Base is operated by the 17th Training Wing of the U. S. Air Force.

The base is located on 1,137 acres with assets including approximately 150 buildings totaling some 1.2 million square feet and approximately 4,400 computers, primarily for assisted instruction in the intelligence training area. In the 17th Training Wing the base employs 6,688 individuals.

The Base is not included in closure or realignment lists of the Base Realignment and Closure Commission ("BRACC"). The closure and realignment process has resulted in the transfer of fire protection and special instruments training to Goodfellow.(1)

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(1) Sources: 17th Training Wing Public Affairs Office, Goodfellow Air Force Base, and San Angelo Chamber of Commerce.

TRANSPORTATION

The City is located on four major highways which provide likes to Interstate 20 approximately 65 miles to the north and Interstate 10 approximately 60 miles to the south. U.S. 87 runs southeast to northwest through the City linking the City of Lubbock to the north to the cities of Austin and San Antonio to the south. A large portion of Highway 87 is four lanes. U.S. Highway 67, running southwest to northeast links San Angelo directly to the Dallas-Fort Worth metroplex as well as providing a major highway to Interstate 10 and El Paso. U. S. Highway 277 connects San Angelo with Abilene 90 miles to the north and Mexico 170 miles to the south. A fourth highway, State Highway 208, connects with Interstate 20 at Colorado City approximately 65 miles to the north. The City also has a controlled access outer loop, Loop 306, which crisscrosses all four highways.

Bus service is provided by one motor bus line with direct schedules to all major cities in Texas and the nation. Also, Concho Coaches provides daily van service to and from the Midland/Odessa area.

Rail services are provided by the Texas Pacifico Transportation, Ltd. whose main yard is in the City. All major U. S. destinations are available for access through the Texas Pacifico Transportation, Ltd. Also, the railroad operates one of only seven rail crossings into Mexico.

There are ten motor freight companies serving the trucking needs of the City providing one-day and overnight service within a 500-mile radius. Direct service is offered to major cities, plus interconnected through trailer service to all principal market centers.

Air service is provided at the City's Regional Airport - Mathis Field. The airport utilizes three runways and generally available instrument approach aids including ASR-9-terminal radar. The runways include one which is approximately 8,000 feet in length, one which is approximately 5,939 feet in length with a complete ILS system with all-weather take-off and landing capabilities, and one which is 4,100 feet in length which is a crosswind general aviation runway. The airport houses numerous tenants including: the National Weather Service, U. S. Customs Service, FedEx and UPS cargo facilities, and numerous general aviation operators. The City is also served by American Airlines which provide daily flights to Dallas-Fort Worth. Passenger enplanement/deplanement for the past five years are as follows (1):

Year	Enplaned	Deplaned
2012	57,480	53,311
2013	62,682	60,184
2014	66,503	63,823
2015	66,257	60,051
2016	64,086	60,913

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(1) Source: City of San Angelo, Mathis Field.

RECREATION AND ENTERTAINMENT

The City maintains numerous developed parks totaling over 400 acres and municipal golf facilities. There are two country clubs with golf courses, tennis and other facilities. Available to residents are Angelo State University programs and events, San Angelo Symphony Orchestra programs, Avii Theater plays and programs, five libraries with over 1,170,000 volumes, Fort Concho Museum and numerous community events including fairs, livestock shows, rodeos and the annual Fiesta del Concho.

Lake Nasworthy, 6 miles southwest of San Angelo, O. C. Fisher Lake, 3 miles northwest of San Angelo, and Twin Buttes Reservoir, 8 miles southwest of San Angelo, provide year-round fishing, boating, skiing and camping activities. Two other lakes, Spence and O. H. Ivie, are within 40 miles of the City.

CHURCHES

San Angelo has over 150 churches representing all major denominations.

MEDIA

There is one daily newspaper; three network television channels and television cable service; and several AM/FM radio stations.

UTILITY SERVICES

Water and Sewer – City of San Angelo.

Gas – Atmos Energy Corp.

Electric – AEP/West Texas Utilities Company.

ECONOMIC INDICES

	Building	Utility Connections (1)		
Year	Permits	Electric	Gas	Water
2012	$ 94,608,039	55,348	21,848	32,845
2013	152,157,052	55,724	21,817	34,175
2014	177,952,623	56,366	21,691	33,748
2015	120,212,047	46,306	21,492	36,695
2016	142,400,931	45,667	21,239	36,766

(1) As of December 31. Sources: City Permit Office, AEP/West Texas Utilities Company, Atmos Energy Corp., San Angelo Water Utilities, and Verizon Southwest Regional Headquarters.

CITY OF SAN ANGELO BUILDING PERMITS BY CLASSIFICATION

	Residential (Single Family)		Business, Industrial and	Foundations, Pools and	Miscellaneous, Alterations and	
Year	Number of Units	Value	Apartments	Renewals	Repairs	Total
2012	229	$ 34,252,269	$ 52,345,937	$ 1,222,434	$ 6,787,399	$ 94,608,039
2013	321	57,207,331	82,451,565	1,657,886	10,840,270	152,157,052
2014	251	55,955,799	107,420,160	1,450,101	8,054,013	172,880,073
2015	236	46,507,779	72,220,198	1,484,070	-	120,212,047
2016	163	41,961,287	89,045,769	2,336,255	9,057,620	142,400,931

APPENDIX B

EXCERPTS FROM THE

CITY OF SAN ANGELO, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the City of San Angelo, Texas Annual Financial Report for the Year Ended September 30, 2016, 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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ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

American Institute of Certified Public Accountants
Texas Society of Certified Public Acccountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council of the
City of San Angelo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Angelo, Texas (the "City"), as of and for the year ended September 30, 2016, 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.

Auditors' 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 auditors' 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

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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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Angelo, Texas, as of September 30, 2016, 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.

Emphasis of Matter

As discussed in Note IV.A to the financial statements, during 2016, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other post-employment benefits schedule of funding progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Angelo, Texas' basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the Table of Contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the Table of Contents, 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 16, 2017 on our consideration of the City of San Angelo, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of San Angelo, Texas' internal control over financial reporting and compliance.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
March 16, 2017

City of San Angelo, Texas
Management's Discussion and Analysis

In this section of the Comprehensive Annual Financial Report, we, the managers of the City of San Angelo, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2016. Please read it in conjunction with our transmittal letter on pages 2 through 4, the independent auditors' report immediately preceding this analysis and the City's Basic Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (pages 25 and 26). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (pages 27 through 32) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (pages 36 through 82) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The combining and individual statements for nonmajor funds contain even more information about the City's individual funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins with the Statement of Net Position on page 25. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as water and sewer and grants provided by the State and Federal government to assist with health and housing issues (program revenues), and revenues provided by the taxpayers in the form of sales and property taxes (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes to it. The City's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's population or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including public safety, public works, health and human services, parks, recreation and economic development. Property taxes, sales taxes, franchise taxes and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in these programs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 25 and provide detailed information about the most significant funds. Laws and contracts require the City to establish some funds, such as grants and debt service. The City's administration establishes many other funds to help it control and manage money for particular purposes (like capital projects). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The City reports the activities for which it charges users in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide services to other City programs.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for assets held and managed for others. The City's fiduciary activity is reported in a separate Statement of Changes in Assets and Liabilities. We exclude these resources from the City's other financial statements because the City cannot use these assets to finance its operations. The City is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities

The City's governmental activities decreased $4,422,607. This result is primarily due to an increase in salaries and pension obligations and a corresponding decrease in sales tax revenue.

Business-Type Activities

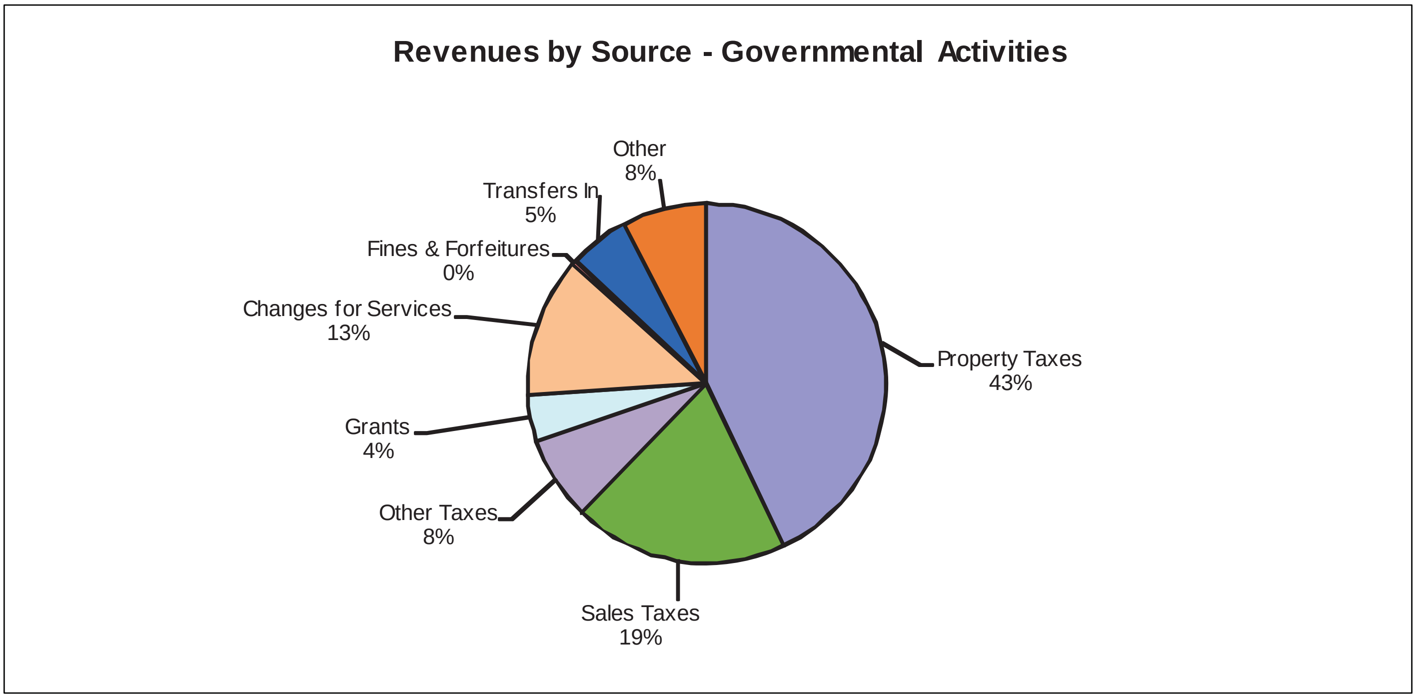
In 2016, total net assets of our business-type activities increased by $11,545,722. This is the result increases in water and sewer rates that were intended to increase the capacity for projects related to water supply and aging infrastructure.

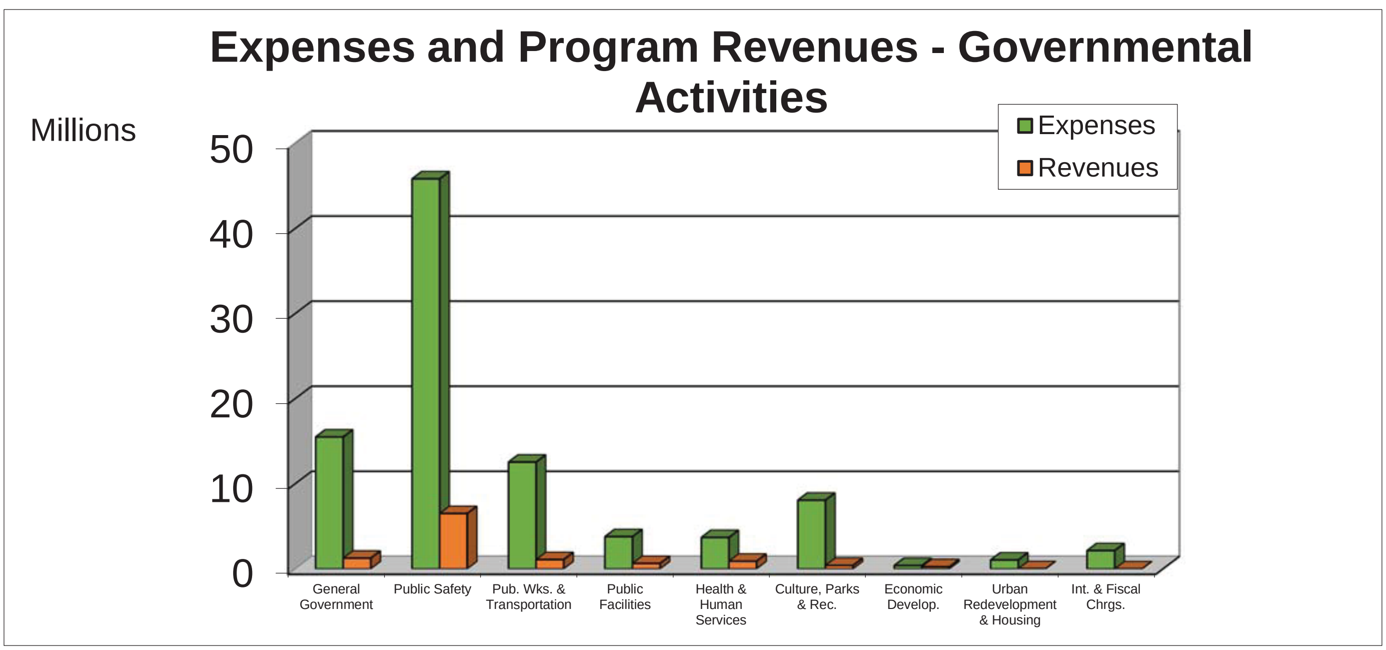
Table I - Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	$ 87,902,368	$ 80,036,057	$ 54,539,852	$ 55,283,226	$ 142,442,220	$ 135,319,283
Capital Assets	84,825,043	79,957,771	297,839,333	295,838,401	382,664,376	375,796,172
Total Assets	$ 172,727,411	$ 159,993,828	$ 352,379,185	$ 351,121,627	$ 525,106,596	$ 511,115,455
Deferred Outflows of Resources	$ 28,232,314	$ 8,159,255	$ 4,210,451	$ 2,161,612	$ 32,442,765	$ 10,320,867
Current Liabilities	$ 9,248,604	$ 12,283,658	$ 15,446,053	$ 15,471,559	$ 24,694,657	$ 27,755,217
Long-term Liabilities	173,129,665	131,957,463	137,098,529	145,401,401	310,228,194	277,358,864
Total Liabilities	$ 182,378,269	$ 144,241,121	$ 152,544,582	$ 160,872,960	$ 334,922,851	$ 305,114,081
Deferred Inflows of Resources	$ 617,122	$ 1,525,021	$ 460,929	$ 371,876	$ 1,078,051	$ 1,896,897
Net Position:						
Net Investement in Capital Assets	$ 47,251,737	$ 22,683,705	$ 168,098,952	$ 161,562,185	$ 215,350,689	$ 184,245,890
Restricted	34,668,116	16,248,477	25,759,916	59,362,529	60,428,032	75,611,006
Unrestricted	(63,955,519)	(16,545,241)	9,725,257	(28,886,311)	(54,230,262)	(45,431,552)
Total Net Position	$ 17,964,334	$ 22,386,941	$ 203,584,125	$ 192,038,403	$ 221,548,459	$ 214,425,344

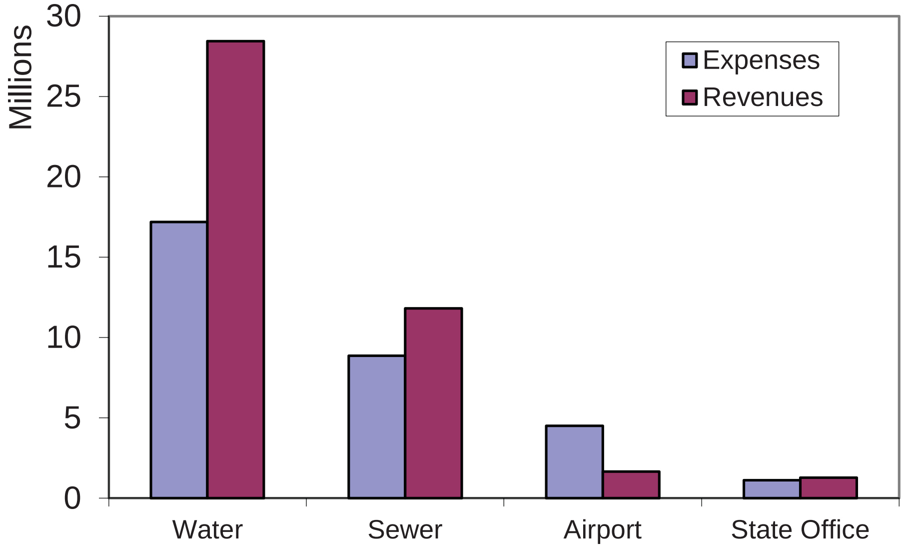
Table II - Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Charges for services	$ 11,087,788	$ 10,228,363	$ 48,013,675	$ 42,242,603	$ 59,101,463	$ 52,470,966
Operating grants and contributions	3,443,621	3,243,424	-0-	-0-	3,443,621	3,243,424
Capital grants and contributions	5,167,884	279,866	1,023,428	873,429	6,191,312	1,153,295
Grants and Contributions Not Restricted to Specific Programs	-0-	-0-	1,200	3,500	1,200	3,500
General Revenues:						
Property Taxes - General Levy	30,505,494	29,211,420	-0-	-0-	30,505,494	29,211,420
Property Taxes - Debt Service Levy	7,556,437	6,533,532	-0-	-0-	7,556,437	6,533,532
Sales Taxes	17,147,214	19,253,436	-0-	-0-	17,147,214	19,253,436
Franchise Taxes	4,349,480	4,472,891	-0-	-0-	4,349,480	4,472,891
Motel Taxes	1,960,114	2,373,746	-0-	-0-	1,960,114	2,373,746
Mixed Drink Taxes	332,309	367,194	-0-	-0-	332,309	367,194
Bingo Taxes	42,505	39,883	-0-	-0-	42,505	39,883
Penalty, Interest, and Fees on					-0-	-0-
Delinquent Taxes	337,978	295,222	-0-	-0-	337,978	295,222
Investment Income	691,470	446,208	582,468	411,913	1,273,938	858,121
Miscellaneous	1,235,450	975,710	-0-	-0-	1,235,450	975,710
Total Revenues	$ 83,857,744	$ 77,720,895	$ 49,620,771	$ 43,531,445	$ 133,478,515	$ 121,252,340
EXPENSES						
Governmental Activities:						
General Government	$ 15,503,820	$ 14,693,548	$ -0-	$ -0-	$ 15,503,820	$ 14,693,548
Public Safety	45,843,672	40,093,771	-0-	-0-	45,843,672	40,093,771
Public Works and Transportation	12,554,602	10,151,004	-0-	-0-	12,554,602	10,151,004
Public Facilities	3,790,497	2,742,085	-0-	-0-	3,790,497	2,742,085
Health and Human Services	3,697,454	3,222,433	-0-	-0-	3,697,454	3,222,433
Culture, Parks, and Recreation	8,076,896	7,147,927	-0-	-0-	8,076,896	7,147,927
Economic Development	392,494	368,283	-0-	-0-	392,494	368,283
Urban Redevelopment and Housing	1,051,058	938,418	-0-	-0-	1,051,058	938,418
Interest and Fiscal Charges	2,153,962	2,350,993	-0-	-0-	2,153,962	2,350,993
Business-Type Activities:						
Water	-0-	-0-	17,183,317	16,419,239	17,183,317	16,419,239
Sewer	-0-	-0-	8,873,695	8,170,739	8,873,695	8,170,739
Airport	-0-	-0-	4,506,411	3,813,818	4,506,411	3,813,818
State Office Building	-0-	-0-	1,127,308	993,803	1,127,308	993,803
Solid Waste	-0-	-0-	786,709	491,075	786,709	491,075
Stormwater	-0-	-0-	2,032,021	1,952,448	2,032,021	1,952,448
Total Expenses	$ 93,064,455	$ 81,708,462	$ 34,509,461	$ 31,841,122	$ 127,573,916	$ 113,549,584
Excess or Deficiency before Transfers and Special Items	($ 9,206,711)	($ 3,987,567)	$ 15,111,310	$ 11,690,323	$ 5,904,599	$ 7,702,756
Transfers	4,800,468	5,825,678	(4,800,468)	(5,825,678)	-0-	-0-
Gain (Loss) on Sale of Capital Assets	-0-	-0-	663,072	24,947	663,072	24,947
Change in Net Position	($ 4,406,243)	$ 1,838,111	$ 10,973,914	$ 5,889,592	$ 6,567,671	$ 7,727,703
Net Position-Beginning	22,386,941	62,589,340	192,402,399	192,081,054	214,789,340	254,670,394
Restatement of Beginning Net Position	(16,364)	(42,040,510)	207,812	(5,568,247)	191,448	(47,608,757)
Net Position-Ending	$ 17,964,334	$ 22,386,941	$ 203,584,125	$ 192,402,399	$ 221,548,459	$ 214,789,340

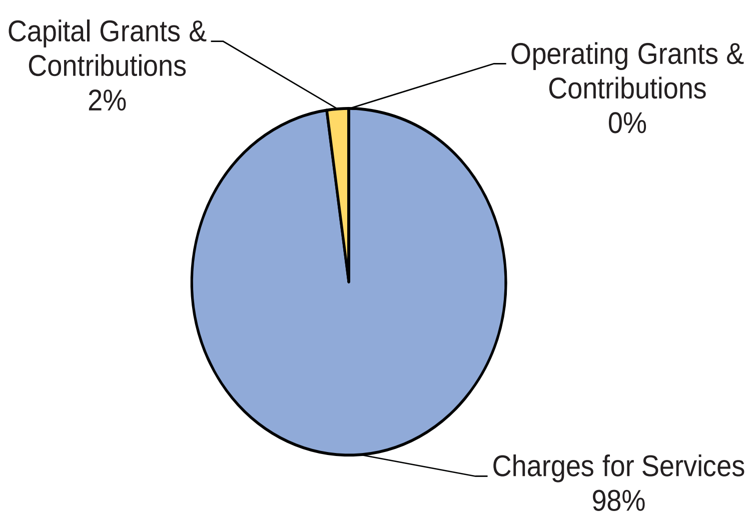

Revenues by Source - Governmental Activities
Other
8%
Transfers In
5%
Fines & Forfeitures
0%
Changes for Services
13%
Grants
4%
Other Taxes
8%
Sales Taxes
19%
Property Taxes
43%


Expenses and Program Revenues - Governmental Activities
Millions
50
40
30
20
10
0
Expenses
Revenues
General Government
Public Safety
Pub. Wks. & Transportation
Public Facilities
Health & Human Services
Culture, Parks & Rec.
Economic Develop.
Urban Redevelopment & Housing
Int. & Fiscal Chrgs.

Expenses & Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously discussed, the City of San Angelo uses fund accounting to ensure compliance with finance related legal requirements.

Governmental funds

The focus of the City of San Angelo's governmental funds is to provide information on inflows, outflows and balances of spendable resources. This information is useful in assessing the City of San Angelo's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet on page 27) reported a combined fund balance of $85.1 million, an increase of $14,842,032 from the prior year. This result is primarily due to the receipt of bond proceeds of $15,615,000 which was offset by salary and pension liability increases and a decrease in sales tax revenue. The debt issue is part of a plan the City Council adopted in January and is a 10-year plan to issue $80 million in debt to rebuild San Angelo's worst streets. As debt is retired, every other year the City will issue $16 million dollars in new debt to pay for the projects. Thus, streets will be improved without having to raise the property tax rate, which for the fourth straight year will remain at 77.6 cents. Street reconstruction and improvements is one of the City Council's top five strategic priorities.

Approximately 30% of this total amount ($24,846,560) is unassigned and rests in the General Fund. The majority of the remainder is assigned for various capital projects such as streets, parks, and the City Auditorium.

The General Fund is the chief operating fund of the City of San Angelo. The unassigned fund balance represents 53% of total General Fund expenditures. The total fund balance in the General Fund increased by $2,886,210 during the current fiscal year. This increase is primarily due to an increase in property tax revenue due to increases to assessed valuations. The City's property tax revenue increased over 4% in the fiscal year 2016 budget.

The Debt Service Fund has a total fund balance of $3,218,102, all of which is reserved for the payment of debt service. The decrease in fund balance during the current year was $235,480 and was purposely drawn down to assist with the City's 2016 debt issue.

Proprietary funds

The City of San Angelo's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Total net position in the Water Fund was $120,040,002, an increase of $9,522,886. This is primarily due to increases in water and sewer rates that were intended to increase the capacity for projects related to water supply and aging infrastructure. The City Council recently adopted a five-year, phased approach to gradually raising water rates. The aim was and remains threefold. First, the Water Utilities Department had to be returned to financial sustainability. Second, more revenue was needed to replace aging infrastructure, including cast-iron water mains that are prone to breaks. Third, the City must have the ability to finance its next water supply project. Water supply and infrastructure is the number one strategic priority of the City Council.

General Fund Budgetary Highlights

Differences between the original and final amended budget for revenue amounted to $10,317,738. This increase amounts to 15.1%. The increase in the revenue budget was primarily due to budgeting for transfers from the City of San Angelo Development Corporation to satisfy ballot projects and for anticipated receipts from the San Angelo Performing Arts Center for construction on the City Auditorium. There was also an increase due to increased salaries that were budgeted after the start of the year. These increases were offset by a decrease to the sales tax revenue budget of $2,352,801. Employee pay is also one of the City Council's top five priorities, and the only one in which we didn't see progress in the fiscal year 2017 budget. This is due to a difficult economy after two years of strong growth. Sales tax collections in the fiscal year that ended September 30, 2016, fell short by more than $2 million under what was originally budgeted. The City budgets its revenues conservatively. As a result, sales tax collections in the coming year have been budgeted at approximately the same level as this past year's collections. Property values inched up about 3 percent this year. This is not enough to completely offset the decline in sales tax collections. After budgeting expenses flat in the coming year to ensure service levels are maintained, approximately $330,000 dollars remained that were not allocated. By comparison, the cost of previously negotiated pay raises for police officers is more than $635,000 dollars. In short, funds were not available to make meaningful progress in employee pay.

The final amended expenditure budget increased $24,640,863. This is primarily the result of rebudgeting funds from the previous year for expenditures that were not made in the previous year. The major increase was in capital projects and street maintenance.

Total General Fund expenditures were $23,526,178 under the final amended budget. Most of this is for unfinished special or capital projects that will be rebudgeted in fiscal year 2017 such as street maintenance and reconstruction and the City Auditorium.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had $383 million (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, improvements, equipment and infrastructure.

The following is a list of the major capital events for FY16:

- $20 million in improvements to the water system
- $15.3 million in improvements to the auditorium
- $16 million in reconstruction and improvements to streets
- $7.5 million in improvements to public safety communications
- $7.6 million in public safety buildings
- $5.8 million in enhancements to transportation

The City put into service the following projects in FY16:

- Parks improvement projects with a cost of $14.6 million
- Sewer projects with a cost of $28.5 million
- Water projects with a cost of $53 million

City of San Angelo, Texas
Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 4,500,105	$ 4,500,105	$ 7,857,995	$ 7,803,872	$ 12,358,100	$ 12,303,977
Buildings	49,663,873	49,663,873	29,559,965	29,417,465	79,223,838	79,081,338
Improvements Other Than Buildings	43,585,391	42,304,692	32,160,118	31,863,900	75,745,509	74,168,592
Infrastructure	23,757,252	23,757,252	182,290,818	182,290,818	206,048,070	206,048,070
Machinery and Equipment	31,868,242	31,690,192	28,622,279	28,597,344	60,490,521	60,287,536
Construction in Progress	29,082,555	19,603,702	134,377,297	123,375,274	163,459,852	142,978,976
Water Rights	-0-	-0-	36,950,835	36,950,835	36,950,835	36,950,835
Accumulated Depreciation	(97,632,375)	(91,562,045)	(153,979,974)	(144,461,107)	(251,612,349)	(236,023,152)
Total	$ 84,825,043	$ 79,957,771	$ 297,839,333	$ 295,838,401	$ 382,664,376	$ 375,796,172

More detailed information about the City's capital assets is presented in Note IV.D. to the financial statements.

Debt

At year-end, the City had $197,809,553 in outstanding debt versus $196,178,753 last year.

On February 15, 2016, the City issued $15,615,000 in certificates of obligation to fund street reconstruction and improvement projects. The interest rates on the notes ranges from 2.0% to 5.0%, and the maturity date is February 15, 2036.

City of San Angelo, Texas
Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	$ 27,411,791	$ 6,383,780	$ 127,299,171	$ 138,237,146	$ 154,710,962	$ 144,620,926
Advalorem Tax COs	28,140,000	25,790,000	-0-	-0-	28,140,000	25,790,000
Sales Tax COs	13,185,000	23,845,000	-0-	-0-	13,185,000	23,845,000
Promissory Notes	1,500,000	1,607,000	273,591	315,827	1,773,591	1,922,827
Total	$ 70,236,791	$ 57,625,780	$ 127,572,762	$ 138,552,973	$ 197,809,553	$ 196,178,753

Other obligations include compensated absences. More detailed information about the City's long-term liabilities is presented in Note IV.G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for the City of San Angelo at the end of the fiscal year was 4.4%. This compares favorably to the state rate of 4.8%.

- The cost of living index compares favorably to the national average.
- The City of San Angelo has not increased the property tax rate in 17 years.

All of these factors were considered in preparing the City of San Angelo's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, at City of San Angelo, Texas, 72 W. College Ave, San Angelo, Texas 76903.

Basic Financial Statements

CITY OF SAN ANGELO, TEXAS

Statement of Net Position

As of September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Development Corporation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 20,506,019	$ 3,535,915	$ 24,041,934	$ 4,047,015
Investments	35,694,745	8,991,330	44,686,075	8,999,952
Receivables:				
Accrued Interest	129,384	112,249	241,633	-0-
Property Taxes	1,358,929	-0-	1,358,929	-0-
Accounts, Net	3,860,307	6,480,654	10,340,961	55,622
Internal Balances	5,606,020	(5,606,020)	-0-	-0-
Due from Other Governments	3,066,520	-0-	3,066,520	1,394,922
Advanced to Other Funds	-0-	-0-	-0-	-0-
Notes	-0-	-0-	-0-	273,594
Inventories	90,163	393,790	483,953	-0-
Prepaids	7,684	-0-	7,684	29,633
Restricted Assets:				
Cash and Cash Equivalents	2,886,514	7,372,474	10,258,988	-0-
Investments	14,696,083	28,121,030	42,817,113	-0-
Closure and Post-Closure Trust Fund	-0-	5,138,430	5,138,430	-0-
Total Current Assets	$ 87,902,368	$ 54,539,852	$ 142,442,220	$ 14,800,738
Noncurrent Assets:				
Capital Assets:				
Land, Construction in Progress, and Water Rights	$ 33,582,660	$ 179,186,127	$ 212,768,787	$ 107,027
Buildings, Improvements, Infrastructure, and Machinery and Equipment, Net	51,242,383	118,653,206	169,895,589	2,531,121
Net Capital Assets	$ 84,825,043	$ 297,839,333	$ 382,664,376	$ 2,638,148
Total Noncurrent Assets	$ 84,825,043	$ 297,839,333	$ 382,664,376	$ 2,638,148
Total Assets	$ 172,727,411	$ 352,379,185	$ 525,106,596	$ 17,438,886
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges	$ 2,015,773	$ 816,824	$ 2,832,597	$ -0-
Deferred Amounts Related to Pensions	26,216,541	3,393,627	29,610,168	-0-
Total Deferred Outflows of Resources	$ 28,232,314	$ 4,210,451	$ 32,442,765	$ -0-
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 1,807,931	$ 2,596,330	$ 4,404,261	$ 882,557
Accrued Interest Payable	459,520	314,678	774,198	-0-
Due to Other Governments	67,716	-0-	67,716	-0-
Unearned Revenue	191,507	-0-	191,507	-0-
Deposits	210,115	1,044,533	1,254,648	-0-
Noncurrent Liabilities Due Within One Year	6,511,815	11,490,512	18,002,327	-0-
Total Current Liabilities	$ 9,248,604	$ 15,446,053	$ 24,694,657	$ 882,557
Noncurrent Liabilities:				
Noncurrent Liabilities Due After One Year	$ 80,106,262	$ 125,468,850	$ 205,575,112	$ -0-
Net Pension Liability - TMRS	38,001,958	9,117,787	47,119,745	-0-
Net Pension Liability - SFRRS	39,544,419	-0-	39,544,419	-0-
Unfunded OPEB Obligation	15,477,026	2,511,892	17,988,918	-0-
Total Noncurrent Liabilities	$ 173,129,665	$ 137,098,529	$ 310,228,194	$ -0-
Total Liabilities	$ 182,378,269	$ 152,544,582	$ 334,922,851	$ 882,557
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	$ -0-	$ 149,890	$ 149,890	$ -0-
Deferred Amounts Related to Pensions	617,122	311,039	928,161	-0-
Total Deferred Inflows of Resources	$ 617,122	$ 460,929	$ 1,078,051	$ -0-
NET POSITION				
Net Investment in Capital Assets	$ 47,251,737	$ 168,098,952	$ 215,350,689	$ 2,638,148
Restricted For:				
Debt Service	-0-	16,071,826	16,071,826	-0-
Asset Construction and Acquisition	21,233,700	3,264,271	24,497,971	-0-
Passenger Facility Charges	-0-	1,285,389	1,285,389	-0-
Landfill Closure and Post-Closure	-0-	5,138,430	5,138,430	-0-
Economic Development	-0-	-0-	-0-	13,918,181
Permanent Fund Purposes:				
Nonexpendable	13,416,029	-0-	13,416,029	-0-
Expendable	18,387	-0-	18,387	-0-
Unrestricted	(63,955,519)	9,725,257	(54,230,262)	-0-
Total Net Position	$ 17,964,334	$ 203,584,125	$ 221,548,459	$ 16,556,329

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Activities

For the Year Ended September 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government			Component Units
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Development Corporation
PRIMARY GOVERNMENT								
Government Activities:								
General Government	$ 15,503,820	$ 1,263,453	$ -0-	$ -0-	($ 14,240,367)	$ -0-	($ 14,240,367)	
Public Safety	45,843,672	6,503,328	111,779	-0-	(39,228,565)	-0-	(39,228,565)	
Public Works and Transportation	12,554,602	1,096,279	301,128	-0-	(11,157,195)	-0-	(11,157,195)	
Public Facilities	3,790,497	642,393	-0-	297,140	(2,850,964)	-0-	(2,850,964)	
Health and Human Services	3,697,454	902,281	2,892,104	-0-	96,931	-0-	96,931	
Culture, Parks and Recreation	8,076,896	403,454	132,987	4,870,744	(2,669,711)	-0-	(2,669,711)	
Economic Development	392,494	257,524	-0-	-0-	(134,970)	-0-	(134,970)	
Urban Redevelopment and Housing	1,051,058	19,077	5,623	-0-	(1,026,358)	-0-	(1,026,358)	
Interest and Fiscal Charges	2,153,962	-0-	-0-	-0-	(2,153,962)	-0-	(2,153,962)	
Total Government Activities	$ 93,064,455	$ 11,087,789	$ 3,443,621	$ 5,167,884	($ 73,365,162)	$ -0-	($ 73,365,162)	
Business-type Activities:								
Water	$ 16,978,460	$ 28,438,454	$ -0-	$ 500	$ -0-	$ 11,460,494	$ 11,460,494	
Sewer	9,078,552	11,808,606	-0-	700	-0-	2,730,754	2,730,754	
Airport	4,506,411	1,664,125	-0-	1,023,428	-0-	(1,818,858)	(1,818,858)	
State Office Building	1,127,308	1,276,717	-0-	-0-	-0-	149,409	149,409	
Solid Waste	786,709	2,235,398	-0-	-0-	-0-	1,448,689	1,448,689	
Stormwater	2,032,021	2,590,375	-0-	-0-	-0-	558,354	558,354	
Total Business-type Activities	$ 34,509,461	$ 48,013,675	$ -0-	$ 1,024,628	$ -0-	$ 14,528,842	$ 14,528,842	
Total Primary Government	$ 127,573,916	$ 59,101,464	$ 3,443,621	$ 6,192,512	($ 73,365,162)	$ 14,528,842	($ 58,836,320)	
COMPONENT UNIT								
Development Corporation	$ 12,378,461	$ 45,221	$ -0-	$ -0-				($ 12,333,240)
Total Component Unit	$ 12,378,461	$ 45,221	$ -0-	$ -0-				($ 12,333,240)
General Revenue								
Taxes								
Property Taxes - General Levy					$ 30,505,494	$ -0-	$ 30,505,494	$ -0-
Property Taxes - Debt Service Levy					7,556,437	-0-	7,556,437	-0-
Sales Taxes					17,147,214	-0-	17,147,214	8,226,791
Franchise Taxes					4,349,480	-0-	4,349,480	-0-
Motel Taxes					1,960,114	-0-	1,960,114	-0-
Mixed Drink Taxes					332,309	-0-	332,309	-0-
Bingo Taxes					42,505	-0-	42,505	-0-
Grants and Contributions Not Restricted to Specific Programs					-0-	-0-	-0-	-0-
Penalty, Interest and Fees, and Delinquent Taxes					337,978	-0-	337,978	-0-
Unrestricted Investment Earnings					691,470	582,468	1,273,938	51,131
Miscellaneous					1,235,450	-0-	1,235,450	2,437
Gain on Sale of Capital Assets					-0-	663,072	663,072	56,608
Transfers					4,800,468	(4,800,468)	-0-	-0-
Total General Revenue and Transfers					$ 68,958,919	($ 3,554,928)	$ 65,403,991	$ 8,336,967
Change in Net Position					($ 4,406,243)	$ 10,973,914	$ 6,567,671	($ 3,996,273)
Net Position - Beginning					22,386,941	192,402,399	214,789,340	20,552,602
Restatement of Beginning Net Position					(16,364)	207,812	191,448	-0-
Net Position - Ending					$ 17,964,334	$ 203,584,125	$ 221,548,459	$ 16,556,329

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Balance Sheet - Governmental Funds

As of September 30, 2016

	General	Sales Tax Capital Project	Capital Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	$ 9,367,092	$ 655,324	$ 8,250,521	$ -0-	$ 346,466	$ 18,619,403
Investments	14,614,751	782,344	17,360,529	-0-	517,043	33,274,667
Receivables:						
Accrued Interest	38,602	-0-	41,362	7,417	41,498	128,879
Property Taxes	1,191,553	-0-	-0-	167,376	-0-	1,358,929
Accounts	14,422,678	-0-	-0-	23,824	943,665	15,390,167
Less: Allowance for Uncollectible	(11,591,515)	-0-	-0-	-0-	(11,886)	(11,603,401)
Due from Other Funds	10,844,998	-0-	-0-	-0-	-0-	10,844,998
Due from Other Governments	2,776,724	-0-	-0-	-0-	289,796	3,066,520
Inventories	37,304	-0-	-0-	-0-	-0-	37,304
Prepaids	7,684	-0-	-0-	-0-	-0-	7,684
Restricted Assets:						
Cash and Cash Equivalents	-0-	-0-	-0-	1,130,073	1,756,441	2,886,514
Investments	-0-	-0-	-0-	2,043,502	12,652,581	14,696,083
Total Assets	$ 41,709,871	$ 1,437,668	$ 25,652,412	$ 3,372,192	$ 16,535,604	$ 88,707,747
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges on Refunding	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Total Deferred Outflows of Resources	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
LIABILITIES						
Current Liabilities:						
Accounts Payable	$ 1,384,329	$ 16,066	$ 41,561	$ -0-	$ 66,862	$ 1,508,818
Due to Other Funds	26,454	281,755	-0-	-0-	138,529	446,738
Due to Other Governments	67,716	-0-	-0-	-0-	-0-	67,716
Unearned Revenue	191,507	-0-	-0-	-0-	-0-	191,507
Deposits	208,415	-0-	-0-	-0-	1,700	210,115
Total Liabilities	$ 1,878,421	$ 297,821	$ 41,561	$ -0-	$ 207,091	$ 2,424,894
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	$ 933,126	$ -0-	$ -0-	$ 154,090	$ -0-	$ 1,087,216
Unavailable Revenue - Street Pavement	55,971	-0-	-0-	-0-	-0-	55,971
Total Deferred Inflows of Resources	$ 989,097	$ -0-	$ -0-	$ 154,090	$ -0-	$ 1,143,187
FUND BALANCES						
Nonspendable	$ 44,988	$ -0-	$ -0-	$ -0-	$ 12,747,748	$ 12,792,736
Restricted	-0-	-0-	-0-	-0-	3,355,777	3,355,777
Committed	-0-	1,139,847	25,610,851	3,218,102	224,988	30,193,788
Assigned	13,950,805	-0-	-0-	-0-	-0-	13,950,805
Unassigned	24,846,560	-0-	-0-	-0-	-0-	24,846,560
Total Fund Balances	$ 38,842,353	$ 1,139,847	$ 25,610,851	$ 3,218,102	$ 16,328,513	$ 85,139,666

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Balance Sheet - Governmental Funds

As of September 30, 2016

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

Total Fund Balance, Governmental Funds	$	85,139,666
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of $84,825,043 and less internal service fund net position of $10,416,938		74,408,105
Certain other deferred outflows are not available in the current period, and therefore, are deferred in the funds		1,143,187
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued interest payable	(	459,520)
Revenue bonds payable	(	64,705,000)
Notes payable	(	1,500,000)
Unamortized debt discount	(	4,059,424)
Deferred charge on refunding		2,015,773
Accrued compensated absences	(	11,853,569)
Unfunded OPEB obligation	(	14,767,026)
Net pension obligation (and related deferrals)	(	51,012,707)
Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance vehicle maintenance, and other such costs, to individual funds. The assets and liabilities of certain of these internal service funds are reported in governmental activities in the Statement of Net Position:		
Internal service funds' net position		3,614,849
Net Position of Governmental Activities	$	17,964,334

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended September 30, 2016

	General	Sales Tax Capital Project	Capital Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 30,910,767	$ -0-	$ -0-	$ 6,920,875	$ 635,562	$ 38,467,204
Sales	17,147,214	-0-	-0-	-0-	-0-	17,147,214
Franchise	4,349,480	-0-	-0-	-0-	-0-	4,349,480
Motel	1,960,114	-0-	-0-	-0-	-0-	1,960,114
Mixed Drink	332,309	-0-	-0-	-0-	-0-	332,309
Bingo	42,505	-0-	-0-	-0-	-0-	42,505
Licenses and Permits	868,449	-0-	-0-	-0-	87,943	956,392
Intergovernmental	4,870,744	-0-	-0-	-0-	2,219,581	7,090,325
Charges for Services	7,995,869	-0-	-0-	-0-	392,126	8,387,995
Fines and Forfeits	2,621,105	-0-	-0-	-0-	-0-	2,621,105
Investment Income:						
Interest	195,367	17,831	64,911	20,488	237,053	535,650
Change in Fair Value of Investments	77,061	13,134	13,244	1,414	3,330	108,183
Miscellaneous:						
Gifts and Contributions	182,881	-0-	-0-	-0-	296,890	479,771
Program Income	-0-	-0-	-0-	-0-	9,095	9,095
Other Miscellaneous	1,052,023	-0-	-0-	-0-	183,426	1,235,449
Total Revenues	$ 72,605,888	$ 30,965	$ 78,155	$ 6,942,777	$ 4,065,006	$ 83,722,791
EXPENDITURES						
Current:						
General Government	$ 10,869,576	$ -0-	$ -0-	$ -0-	$ -0-	$ 10,869,576
Public Safety	38,644,323	-0-	-0-	-0-	259,898	38,904,221
Public Works and Transportation	11,354,116	-0-	-0-	-0-	169,624	11,523,740
Public Facilities	998,644	-0-	-0-	-0-	-0-	998,644
Health and Human Services	1,520,220	-0-	-0-	-0-	1,814,464	3,334,684
Culture, Parks and Recreation	6,096,577	-0-	-0-	-0-	24,759	6,121,336
Economic Development	-0-	-0-	-0-	-0-	392,494	392,494
Urban Redevelopment and Housing	-0-	-0-	-0-	-0-	1,018,949	1,018,949
Total Current Expenditures	$ 69,483,456	$ -0-	$ -0-	$ -0-	$ 3,680,188	$ 73,163,644
Capital Outlay	2,725,937	2,393,222	3,779,943	-0-	384,366	9,283,468
Debt Service:						
Principal	-0-	-0-	-0-	5,302,500	107,000	5,409,500
Interest and Fiscal Charges	-0-	5,254	153,531	2,180,794	42,001	2,381,580
Total Expenditures	$ 72,209,393	$ 2,398,476	$ 3,933,474	$ 7,483,294	$ 4,213,555	$ 90,238,192
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	$ 396,495	($ 2,367,511)	($ 3,855,319)	($ 540,517)	($ 148,549)	($ 6,515,401)
OTHER FINANCING SOURCES (USES)						
Transfers In	$ 5,530,251	$ -0-	$ -0-	$ -0-	$ 381,869	$ 5,912,120
Sale of Capital Assets	36,734	-0-	-0-	-0-	122,713	159,447
Proceeds from Long-Term Debt	-0-	-0-	15,615,000	-0-	-0-	15,615,000
Proceeds from Long-Term Debt Premium	-0-	-0-	538,531	-0-	-0-	538,531
Payment to Advance Refunding Escrow Agent	-0-	-0-	-0-	305,037	-0-	305,037
Transfers Out	(482,759)	(203,617)	-0-	-0-	(486,326)	(1,172,702)
Total Other Sources (Uses)	$ 5,084,226	($ 203,617)	$ 16,153,531	$ 305,037	$ 18,256	$ 21,357,433
Net Change in Fund Balances	$ 5,480,721	($ 2,571,128)	$ 12,298,212	($ 235,480)	($ 130,293)	$ 14,842,032
Fund Balances - Beginning	35,956,143	3,576,963	13,312,639	3,876,297	16,458,806	73,180,848
Restatement of Beginning Fund Balance (See Note IV.H)	(2,594,511)	134,012	-0-	(422,715)	-0-	(2,883,214)
Fund Balances - Ending	$ 38,842,353	$ 1,139,847	$ 25,610,851	$ 3,218,102	$ 16,328,513	$ 85,139,666

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended September 30, 2016

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

Net Change in Fund Balances - Total Governmental Funds	$ 14,842,032
Amounts reported for governmental activities in the Statement of Net Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases	7,519,694
Depreciation expense	(6,725,785)
Capital assets disposals	49,176
Capital assets donated to business-type activities	(7,037)
Governmental funds report bond issuance costs as expenditures and bond premiums as revenue while governmental activities report amortization and interest expense to allocate those expenditures over the term of the bonds:	
Amortization expense	46,850
Interest expense	(124,269)
Governmental funds report revenue not collected within the availablity period as Unavailable Revenue, but on the Statement of Activities these revenues are recognized and the deferred inflow of resources is eliminated:	
Property taxes	(67,294)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmenal funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Revenue bond principal payment	5,302,500
Revenue bond payments to escrow	20,452,316
Note payable principal payment	107,000
Revenue bond proceeds	(33,335,000)
Revenue bond premium	(3,575,884)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds:	
Compensated absences	(820,149)
OPEB obligation change	(1,743,924)
Net pension obligation change	(4,317,349)
The internal service funds are used by management to charge the costs of fleet management and risk management to individual funds. The net revenue of certain activities of internal service funds in reported in the governmental activities.	(2,009,120)
Change in Net Position of Governmental Activities	($ 4,406,243)

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Net Position - Proprietary Funds

As of September 30, 2016

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Airport	Other Enterprise Funds	Total	Activities - Internal Service Funds
ASSETS						
Assets:						
Current Assets:						
Cash and Cash Equivalents	$ 927,210	$ 7,847	$ 61,928	$ 2,538,930	$ 3,535,915	$ 1,886,616
Investments	2,214,719	19,010	149,835	6,607,766	8,991,330	2,420,078
Receivables:						
Accrued Interest	70,761	10,184	2,545	28,759	112,249	3,822
Accounts Receivable	5,777,416	1,795,152	101,156	1,003,864	8,677,588	190,431
Less: Allowance for Uncollectibles	(1,645,897)	(470,973)	-0-	(80,064)	(2,196,934)	(116,890)
Due from Other Funds	26,454	-0-	-0-	-0-	26,454	8
Inventories	360,737	33,053	-0-	-0-	393,790	52,859
Restricted Assets:						
Cash and Cash Equivalents	-0-	6,740,682	631,792	-0-	7,372,474	-0-
Investments	13,494,643	13,958,050	668,337	-0-	28,121,030	-0-
Closure and Post-Closure Trust Fund	-0-	-0-	-0-	5,138,430	5,138,430	-0-
Total Current Assets	$ 21,226,043	$ 22,093,005	$ 1,615,593	$ 15,237,685	$ 60,172,326	$ 4,436,924
Noncurrent Assets:						
Capital Assets:						
Land	$ 1,719,765	$ 3,759,793	$ 1,568,591	$ 809,846	$ 7,857,995	$ -0-
Buildings	7,575,604	240,039	15,692,780	6,051,542	29,559,965	390,269
Improvements Other Than Buildings	3,864,878	10,089,039	17,307,536	898,665	32,160,118	5,303,405
Infrastructure	93,501,564	69,582,076	19,207,178	-0-	182,290,818	-0-
Machinery and Equipment	11,768,914	12,069,944	1,402,606	3,380,815	28,622,279	727,433
Water Rights	36,950,835	-0-	-0-	-0-	36,950,835	-0-
Construction in Progress	124,510,448	751,191	9,115,658	-0-	134,377,297	7,938,953
Less: Accumulated Depreciation	(69,120,945)	(41,087,223)	(37,959,728)	(5,812,078)	(153,979,974)	(3,943,122)
Net Capital Assets	$ 210,771,063	$ 55,404,859	$ 26,334,621	$ 5,328,790	$ 297,839,333	$ 10,416,938
Total Noncurrent Assets	$ 210,771,063	$ 55,404,859	$ 26,334,621	$ 5,328,790	$ 297,839,333	$ 10,416,938
Total Assets	$ 231,997,106	$ 77,497,864	$ 27,950,214	$ 20,566,475	$ 358,011,659	$ 14,853,862
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges	$ -0-	$ 816,824	$ -0-	$ -0-	$ 816,824	$ -0-
Deferred Amounts Related to Pensions	1,943,150	654,852	234,361	561,264	3,393,627	533,716
Total Deferred Outflows of Resources	$ 1,943,150	$ 1,471,676	$ 234,361	$ 561,264	$ 4,210,451	$ 533,716
LIABILITIES						
Current Liabilities:						
Accounts Payable	$ 877,399	$ 223,241	$ 582,749	$ 912,941	$ 2,596,330	$ 302,429
Accrued Interest Payable	156,857	152,204	-0-	5,617	314,678	-0-
Due to Other Funds	-0-	3,968,650	1,150,213	513,611	5,632,474	4,792,248
Due to Other Governments	-0-	-0-	-0-	-0-	-0-	-0-
Deposits	1,044,533	-0-	-0-	-0-	1,044,533	-0-
Noncurrent Liabilities Due Within One Year	7,736,308	3,202,171	43,881	508,152	11,490,512	2,229,004
Total Current Liabilities	$ 9,815,097	$ 7,546,266	$ 1,776,843	$ 1,940,321	$ 21,078,527	$ 7,323,681
Noncurrent Liabilities:						
Net Pension Liability	$ 5,287,774	$ 1,782,008	$ 637,753	$ 1,410,252	$ 9,117,787	$ 1,408,333
Noncurrent Liabilities Due After One Year	98,428,186	23,950,242	561,159	5,041,155	127,980,742	2,981,081
Total Noncurrent Liabilities	$ 103,715,960	$ 25,732,250	$ 1,198,912	$ 6,451,407	$ 137,098,529	$ 4,389,414
Total Liabilities	$ 113,531,057	$ 33,278,516	$ 2,975,755	$ 8,391,728	$ 158,177,056	$ 11,713,095
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenue	$ 149,890	$ -0-	$ -0-	$ -0-	$ 149,890	$ -0-
Deferred Amounts Related to Pensions	219,307	48,978	18,516	24,238	311,039	59,634
Total Deferred Inflows of Resources	$ 369,197	$ 48,978	$ 18,516	$ 24,238	$ 460,929	$ 59,634
NET POSITION						
Net Investment in Capital Assets	$ 108,685,596	$ 30,571,004	$ 26,334,621	$ 4,126,218	$ 169,717,439	$ 10,416,938
Restricted for:						
Debt Service	14,595,860	1,475,966	-0-	-0-	16,071,826	-0-
Asset Construction and Acquisition	1,645,784	1,618,487	-0-	-0-	3,264,271	-0-
Passenger Facility Charges	-0-	-0-	1,285,389	-0-	1,285,389	-0-
Landfill Closure and Post-Closure	-0-	-0-	-0-	5,138,430	5,138,430	-0-
Contract Obligations	1,792,764	-0-	-0-	-0-	1,792,764	-0-
Unrestricted	(6,680,002)	11,976,589	(2,429,706)	3,447,125	6,314,006	(6,802,089)
Total Net Position	$ 120,040,002	$ 45,642,046	$ 25,190,304	$ 12,711,773	$ 203,584,125	$ 3,614,849

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Water	Sewer	Airport	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for Sales and Services:						
Pledged for Payment of Revenue Bonds:						
Water Sales	$ 25,928,691	$ -0-	$ -0-	$ -0-	$ 25,928,691	$ -0-
Sewer Service	-0-	11,556,057	-0-	-0-	11,556,057	-0-
Stormwater Fee	-0-	-0-	-0-	2,568,278	2,568,278	-0-
Solid Waste Service	-0-	-0-	-0-	2,168,090	2,168,090	-0-
Rents, Leases, and Fees	346,548	206,133	-0-	1,221,712	1,774,393	-0-
Billing and Collection	1,599,466	-0-	-0-	-0-	1,599,466	-0-
Paving Cuts, Taps, and Connections	361,659	46,171	-0-	-0-	407,830	-0-
Other	202,090	245	19,671	-0-	222,006	-0-
Unpledged:						
Rents, Leases, and Fees	-0-	-0-	1,620,661	-0-	1,620,661	-0-
Sales and Service	-0-	-0-	-0-	-0-	-0-	14,086,907
Other	-0-	-0-	23,793	144,410	168,203	587,757
Total Operating Revenues	$ 28,438,454	$ 11,808,606	$ 1,664,125	$ 6,102,490	$ 48,013,675	$ 14,674,664
OPERATING EXPENSES						
Cost of Sales and Services	$ 5,608,942	$ 4,539,660	$ 1,902,651	$ 3,248,160	$ 15,299,413	$ 16,171,899
Administrative	6,658,043	236,399	-0-	90,608	6,985,050	-0-
Depreciation	3,248,228	3,266,047	2,603,760	559,118	9,677,153	573,596
Total Operating Expenses	$ 15,515,213	$ 8,042,106	$ 4,506,411	$ 3,897,886	$ 31,961,616	$ 16,745,495
Operating Income (Loss)	$ 12,923,241	$ 3,766,500	($ 2,842,286)	$ 2,204,604	$ 16,052,059	($ 2,070,831)
NONOPERATING REVENUES (EXPENSES)						
Investment Income:						
Interest	$ 139,668	$ 135,618	$ 7,065	$ 40,210	$ 322,561	$ 29,715
Change in Fair Value of Investments	186,512	64,307	2,391	6,697	259,907	17,922
Interest Expense and Fiscal Agent Fees	(1,463,247)	(1,036,446)	-0-	(48,152)	(2,547,845)	-0-
Gain (Loss) on Sale of Capital Assets	596,675	18,276	-0-	(12,929)	602,022	7,037
Total Nonoperating Revenues (Expenses)	($ 540,392)	($ 818,245)	$ 9,456	($ 14,174)	($ 1,363,355)	$ 54,674
Income (Loss) Before Contributions and Transfers	$ 12,382,849	$ 2,948,255	($ 2,832,830)	$ 2,190,430	$ 14,688,704	($ 2,016,157)
CONTRIBUTIONS AND TRANSFERS						
Contributions:						
Federal Grants	$ 500	$ 700	$ 1,023,428	$ -0-	$ 1,024,628	$ -0-
Capital	-0-	-0-	-0-	-0-	-0-	-0-
Total Contributions	$ 500	$ 700	$ 1,023,428	$ -0-	$ 1,024,628	$ -0-
Transfers In	476,020	-0-	203,617	95,000	774,637	-0-
Transfers Out	(3,336,483)	(1,631,033)	(79,829)	(466,710)	(5,514,055)	-0-
Total Contributions and Transfers	($ 2,859,963)	($ 1,630,333)	$ 1,147,216	($ 371,710)	($ 3,714,790)	$ -0-
Change in Net Position	$ 9,522,886	$ 1,317,922	($ 1,685,614)	$ 1,818,720	$ 10,973,914	($ 2,016,157)
Net Position - Beginning	110,517,116	44,324,124	26,883,257	10,677,902	192,402,399	2,764,160
Restatement of Beginning Net Position (See Note IV.H)	-0-	-0-	(7,339)	215,151	207,812	2,866,846
Net Position - Ending	$ 120,040,002	$ 45,642,046	$ 25,190,304	$ 12,711,773	$ 203,584,125	$ 3,614,849

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Cash Flows - Proprietary Funds

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Airport	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received From Customers	$ 28,499,380	$ 11,969,839	$ 1,680,300	$ 5,703,374	$ 47,852,893	$ 11,605,384
Cash Received From Other Funds for Interfund Services Provided	(3,438,798)	3,968,650	(78,590)	-0-	451,262	802,631
Cash Received From Reinsurance	-0-	-0-	-0-	-0-	-0-	2,313,775
Cash Received From Meter Deposits	19,534	-0-	-0-	-0-	19,534	-0-
Cash Paid From Meter Deposits	-0-	(3,565)	-0-	-0-	(3,565)	-0-
Cash Paid to Suppliers for Goods and Services	(5,671,921)	(2,291,182)	(583,893)	(1,655,838)	(10,202,834)	(8,279,135)
Cash Paid for Insurance Claims and Premiums	-0-	-0-	-0-	-0-	-0-	(7,775,661)
Cash Paid for Employees' Services and Benefits	(5,817,699)	(1,988,046)	(692,120)	(1,523,722)	(10,021,587)	(1,367,834)
Net Cash Provided (Used) by Operating Activities	$ 13,590,496	$ 11,655,696	$ 325,697	$ 2,523,814	$ 28,095,703	($ 2,700,840)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	$ 476,020	$ -0-	$ 6,951,969	$ -0-	$ 7,632,846	$ -0-
Transfers Out	(3,336,483)	(1,630,333)	(6,828,181)	(371,710)	(12,371,564)	-0-
Short-Term Interfund Loans Received	-0-	-0-	-0-	40,382	40,382	3,435,357
Short-Term Interfund Loans Paid	-0-	-0-	-0-	-0-	-0-	-0-
Net Cash Provided (Used) by Noncapital Financing Activities	($ 2,655,606)	($ 1,835,190)	$ 123,788	($ 331,328)	($ 4,698,336)	$ 3,435,357
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	($ 10,720,492)	($ 420,070)	($ 329,658)	($ 289,118)	($ 11,759,338)	($ 1,737,972)
Principal Paid on Debt	(6,929,915)	(3,062,350)	(43,033)	(777,735)	(10,813,033)	-0-
Interest Paid on Debt	(1,482,024)	(1,095,793)	-0-	(62,794)	(2,640,611)	-0-
Cash Paid for Water Rights Obligation	(1,411,997)	-0-	-0-	-0-	(1,411,997)	-0-
Capital Grants Received	500	-0-	1,023,428	-0-	1,023,928	-0-
Proceeds from Sale of Assets	657,137	18,276	-0-	522	675,935	14,074
Net Cash Provided (Used) by Capital and Related Financing Activities	($ 19,886,791)	($ 4,559,937)	$ 650,737	($ 1,129,125)	($ 24,925,116)	($ 1,723,898)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of Investments	$ 9,744,418	($ 3,076,879)	($ 412,929)	($ 5,472,422)	$ 782,188	$ 617,911
Interest Received on Investments	134,693	146,853	6,427	29,502	317,475	31,179
Net Cash Provided (Used) by Investing Activities	$ 9,879,111	($ 2,930,026)	($ 406,502)	($ 5,442,920)	$ 1,099,663	$ 649,090
Net Increase (Decrease) in Cash	$ 927,210	$ 2,330,543	$ 693,720	($ 4,379,559)	($ 428,086)	($ 340,291)
Cash - Beginning	-0-	4,417,986	-0-	6,918,489	11,336,475	2,226,907
Cash - Ending	$ 927,210	$ 6,748,529	$ 693,720	$ 2,538,930	$ 10,908,389	$ 1,886,616
CASH ON STATEMENT OF NET POSITION						
Current Assets	$ 927,210	$ 7,847	$ 61,928	$ 2,538,930	$ 3,535,915	$ 1,886,616
Restricted Assets	-0-	6,740,682	631,792	-0-	7,372,474	-0-
Total	$ 927,210	$ 6,748,529	$ 693,720	$ 2,538,930	$ 10,908,389	$ 1,886,616

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Cash Flows - Proprietary Funds

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Airport	Other Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	$ 12,923,241	$ 3,766,500	($ 2,842,286)	$ 2,204,604	$ 16,177,915	($ 2,070,831)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation	3,248,228	3,266,047	2,603,760	559,118	9,677,153	573,596
(Increase) Decrease in:						
Accounts Receivable	57,325	161,233	16,175	(210,837)	(101,960)	47,126
Other Receivable	-0-	-0-	-0-	(188,279)	(188,279)	
Due From Other Funds	(3,438,798)	3,968,650	(77,790)	-0-	452,062	-0-
Inventories	53,084	(3,105)	-0-	-0-	49,979	(7,496)
Deferred Charges	3,601	-0-	-0-	-0-	3,601	(60,434)
Increase (Decrease) in:						
Accounts Payable	463,358	117,635	552,888	(214,051)	919,830	(2,817,738)
Insurance Claims Payable	-0-	-0-	-0-	-0-	-0-	1,409,351
OPEB Obligation	202,437	74,357	21,275	53,615	351,684	80,157
Pension Liability	1,313,272	486,432	173,647	51,812	2,025,163	116,839
Compensated Absences	96,606	34,342	26,461	51,262	208,671	28,590
Landfill Postclosure Liability	-0-	-0-	-0-	216,570	216,570	-0-
Customer Deposits	19,534	(3,565)	-0-	-0-	15,969	-0-
Unearned Revenue	(1,146,535)	(417,687)	(148,433)	-0-	(1,712,655)	-0-
Net Cash Provided (Used) by Operating Activities	$ 13,590,496	$ 11,655,696	$ 325,697	$ 2,523,814	$ 28,095,703	($ 2,700,840)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
Loss on Disposal of Capital Assets	$ 60,462	$ -0-	$ -0-	($ 13,451)	$ 47,011	$ 7,037
Amortization of Premiums and Discounts	$ -0-	$ 8,499	$ -0-	($ 12,340)	($ 3,841)	$ -0-
Change in Fair Value of Investments	$ -0-	$ 64,307	$ 2,391	$ 6,697	$ 73,395	$ 17,922
Amortization of Gain or Loss on Refunding	$ -0-	$ 131,088	$ -0-	$ -0-	$ 131,088	$ -0-

The accompanying notes are an integral part of this statement.

CITY OF SAN ANGELO, TEXAS

Statement of Net Position - Fiduciary Funds

As of September 30, 2016

	Agency
	CJC
ASSETS	
Cash and Cash Equivalents	$ 324,689
Total Assets	$ 324,689
LIABILITIES	
Accounts Payable	$ -0-
Due to Other Governments	324,689
Total Liabilities	$ 324,689

The accompanying notes are an integral part of this financial statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of San Angelo, Texas (City) is a municipal corporation governed by an elected mayor and six-member council. The City provides services as authorized in its charter: public safety (police and fire), streets and bridges, sanitation, health and human services, water and sewer utilities, recreation, education, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the government and its component units, entities for which the government is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent subsections of this note.

I.A. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of San Angelo, Texas
Discretely Presented Component Unit:	City of San Angelo Development Corporation

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*, as amended by Statement No. 61 and includes all component units of which the City is fiscally accountable.

Blended Component Units

Blended component units are separate legal entities that meet the GASB Statement No. 14 (as amended by Statement No. 61) component unit criteria and whose governing body is the same or substantially the same as the City Council, or the component unit provides services entirely, or almost entirely, to the City. The City had no blended component units for the year ended September 30, 2016.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the GASB Statement No. 14 (as amended by Statement No. 61) component unit criteria but do not meet the criteria for blending. The City has one component unit that is discretely presented in the City's report as presented below. The component unit's rows and columns in the government-wide financial statements include the financial data of the City's component unit. It is reported in separate rows and columns to emphasize that it is legally separate from the City. The mayor and the City Council appoint the governing board of directors.

The City of San Angelo, Texas Development Corporation (Corporation) is a non-profit development corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6, Vernon's Texas Revised Civil Statutes Annotated as amended (the Act), and is governed by Section 4B of the Act. The Corporation is governed by a seven-member board appointed by the City Council. Its purpose is to administer the type B Section 4B economic development sales tax approved by the City's voters. As stated in its Articles of Incorporation, the purpose of the Corporation is to promote community development within the City and the State of Texas in order to improve the quality of life and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing the projects allowed under Section 4B of the Act. The San Angelo City Council must approve all actions of the Corporation's board of directors. Subject to the limitations provided by the Texas Constitution, the laws of the state and the articles of incorporation, the City Council may, in its sole discretion, and at any time, alter or change the structure, organization, programs, or activities of the Corporation, and may terminate or dissolve the Corporation. If the Corporation should be dissolved, all interests it has, or is entitled to, in any funds or property of any kind shall be transferred and delivered to the City after satisfaction of all debts, claims, and contractual obligations. The Corporation does not publish any separately issued financial statements.

Related Organizations

The City Council is responsible for appointing the members of the boards of various organizations, but the City's accountability for those organizations does not extend beyond making the appointments. The City provides some funding to the Convention and Visitors Bureau.

I.B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues, are reported separately from *business-type activities*, which rely mostly on fees and charges for support. In addition, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities reports the direct expenses of a given function offset by program revenues directly related to the function program. A function is an aggregation of similar activities and may include portions of a fund or summarize more than one fund to capture expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (a) charges to customers such as fines and forfeitures, fees for licenses, permits, and other user charges; (b) operating grants and contributions that are restricted to meeting the annual operating requirements of a particular function or segment; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, propriety funds, and fiduciary funds. Fiduciary funds are not included in the government-wide financial statements. An emphasis of the fund financial statements is placed on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements with composite columns for the aggregated remaining non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

c) A fund not meeting the criteria of (a) and (b); however, management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds.

I.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Agency funds do not have a measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of the 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 met.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

Property taxes, sales 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 measureable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. It is *always* a major fund.

The *sales tax projects* capital project fund accounts for certificate of obligation proceeds to accomplish projects specified on the ballots in the elections adopting the type B economic development sales tax and projects allowed by Section 4B of the Development Corporation Act of 1979, as amended. The certificates are being retired with funds from the collection of the type B sales tax approved for the projects.

The *capital improvement fund* accounts for the authorized expenditure of the proceeds of certificates of obligation.

The *debt service fund* accounts for the accumulation of resources and payment of principal and interest on general obligation bonds, certificates of obligation, and sales tax supported certificates of obligations. Resources are provided by an ad valorem tax levy and transfer of type B sales tax proceeds from the City of San Angelo Development Corporation.

The City also reports the following nonmajor governmental fund types and funds:

Special revenue funds account for specific revenues that are legally restricted, or designated by management, to expenditures for particular purposes. The City's nonmajor special revenue funds include:

- Community development fund accounts for the expenditure of funds received from the U.S. Department of Housing and Urban Development under the Community Development Block Grant program.
- Intergovernmental fund accounts for the expenditure of various federal and state funds.

- HOME program fund accounts for funds received from the U.S. Department of Housing and Urban Development under the HOME Investment Partnership program.

- Designated revenue fund accounts for expenditure of funds contributed by San Angelo citizens for special purposes.

- Tax Increment Reinvestment Zone fund accounts for expenditure of funds received from ad valorem taxes derived from increments of growth in real property values in the Zone.

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. The City's nonmajor permanent funds are as follows:

- *Santa Fe Park Trust fund* accounts for trust principal and related investment income. Net earnings up to 7% can be paid to the City to be used for the upkeep and beautification of the park. Earnings in excess of 7% become part of principal.

- *Lake Nasworthy Trust fund* accounts for the trust principal and related investment income. Twenty percent of all lake lot lease income, the proceeds from the sale of lake lots, and 10% of the annual interest income are additions to principal. No portion of the principal shall be expended for any purpose unless authorized by a majority vote of the qualified voters of the City at an election held for that purpose. Ninety percent of the annual interest income may be used by the City to pay for lake and river improvements, services to enhance water recreation, and the elimination of related litter and pollution. A public hearing must be held on the purposed uses of interest income during the budget and budget amendment process.

Proprietary funds include both enterprise funds and internal service funds. *Enterprise funds* account for business-like activities provided to the general public. *Internal service funds* are used to account for business-like activities provided and charged to other funds or entities within the reporting entity.

The City reports three major enterprise funds:

- The *water fund* accounts for the operations of the water utility service. In addition, the operation of lake recreation facilities are accounted for in this fund, and billing and collection services are provided to other enterprise funds.

- The *sewer fund* accounts for the operation of the sewage collection and treatment system and leasing of the sewer farm.

- The *airport fund* accounts for the operations of the municipal airport.

The City reports the following three non-major enterprise funds:

- The *state office building fund* accounts for the operation of a building, acquired and renovated, primarily to provide a facility for lease to the State of Texas in order for all state offices in San Angelo to be in one location.

- The *solid waste fund* accounts for the City's portion of operating the landfill.
- The *stormwater fund* accounts for the operation of stormwater treatment and management.

Internal service funds account for fuel, oil, and the maintenance and upkeep on City and San Angelo Independent School District vehicles (vehicle maintenance fund); health claims services and medical costs for City employees and their dependents (employee/retiree health fund); insurance coverage for general and automobile liability and property damage for city property and vehicles (property and casualty insurance fund); workers compensation coverage for City employees (workers compensation insurance fund), and a city-wide radio communication system (communications fund), basically on a cost reimbursement basis, and provision of reserves for catastrophic claims in the insurance funds.

Fiduciary funds are used to account for assets held in a trust or agency capacity for others and, therefore, cannot be used to support the City's own programs. Fiduciary fund reporting focuses on net position and changes in net position. All fiduciary activities are reported only in the fund financial statements. The City reports the following fiduciary fund:

- *CJC Agency fund* is used to report resources held by the City in a purely custodial capacity (assets equal liabilities). The CJC fund accounts for the accumulation of fines and fees collected on behalf of the State of Texas.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water, sewer, and stormwater 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 concerned.

Proprietary funds report *operating* revenues and expenses and *non-operating* revenues and expenses separately. Operating revenues and expenses generally result from sales and services in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as non-operating. Principal operating revenues include charges to customers for sales, services, and rentals. Other operating revenues include charges for paving cuts, taps, and connections intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for specified expenditures, the City's policy is to use restricted resources first, then unrestricted resources as needed. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

I.D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and Cash Equivalents

For the purposes of financial reporting, "cash and cash equivalents" include all demand deposits, state-managed local government investment pools, and short-term investments with original maturities of three months or less when acquired.

Investments

Investments are reported at fair value. U.S. Treasury obligations are valued at the last reported sales price on a national exchange. State-managed local government investment pools (which are reported as "cash" due to their liquidity) operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 and use amortized cost instead of market value to report net position to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares. The State Comptroller of Public Accounts exercises oversight responsibility over the pools. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both pool participants and other persons who do not have a business relationship with the pools. The advisory board members review the investment policy and management fee structure. Year to year changes in the fair value of investments are shown as an adjustment to investment income.

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 either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Temporary fund overdrafts in the pooled cash account and certain year-end adjustments give rise to current interfund loans reported in the fund financial statements. Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All accounts receivables are shown net of an allowance for uncollectibles.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City's property taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax on July 1 incurs a total penalty of 12% of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty, and interest may be imposed to defray costs of collection for taxes delinquent after July 1.

Inventories

Inventories of the governmental funds are valued on the basis of weighted average cost. Inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain governmental fund assets are classified as restricted on the balance sheets and statement of net position because their use is limited by legal or contractual requirements and terms of trust agreements. These include funds restricted for debt service, park upkeep, and river and lake improvements.

Also, certain proceeds of enterprise funds' revenue bonds, as well as certain other resources set aside for their repayment and other purposes, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants and contract agreements. These include assets for bond debt service, water purchase contract obligations, construction with bond proceeds, asset renewals and replacements, and water supply development.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) and water rights (intangible assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, property, plant, and equipment and intangible assets are accounted for as capital assets. The City's policy is to capitalize and depreciate all capital assets with an initial, individual cost of $1,000 or more and an estimated life in excess of three years. Assets not meeting the capitalization policy are controlled by division or department heads. Normal maintenance and repair costs that do not add to the asset values or materially extend the useful lives are not capitalized. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value at the date of donation. Infrastructure capital assets, consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, water system, sewer system, and airport paving are capitalized and depreciated. Interest costs, net of interest earned on any invested capital debt proceeds, are capitalized when incurred by proprietary funds.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation in the government-wide statements and the proprietary funds statements is provided using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 – 50 years
Improvement Other Than Buildings	8 – 20 years
Infrastructure	15 – 50 years
Machinery and Equipment	3 – 20 years

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

In the governmental fund financial statements, capital assets are accounted for as capital outlay expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 (expense/expenditures) until then. The government currently recognizes amounts from pension and amounts related to refunding of debt. The deferred charge on refunding reported in the government-wide statement of net position and the proprietary fund statement. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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 government has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

City employees earn vacation and sick leave, each at the rate of 1-1/4 working days per month (3 weeks per year). Employees hired on or after October 1, 2001 earn vacation at the rate of 5/6 of a working day per month (2 weeks per year) for the first 5 years, and thereafter at the same rate as pre-October 1, 2001 hires. Accumulation of vacation is limited to 30 working days, and accumulation of sick leave is unlimited. Employees vest in accumulated sick leave after three years of employment. Terminal benefit payoffs are limited to 30 working days for unused vacation and 90 working days for unused vested sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liabilities related to proprietary funds are recognized within each of those funds' financial statements and the government-wide statement of net position.

Long-term Obligations

In the government-wide financial statements and the proprietary 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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refundings. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 San Angelo Firemen's Relief and Retirement Fund (SFRRF) and the Texas Municipal Retirement System (TMRS) and additions to/deductions from SFRRF and TMRS fiduciary net position have been determined on the same basis as they are reported by SFRRF and TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Arbitrage Rebate to the U.S. Treasury

Under U.S. Treasury Department Regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue.

Since the rules governing arbitrage on tax-exempt debt and the calculation of the rebate are complex, the City has retained a professional consultant to calculate any tentative arbitrage rebate due to the U.S. Treasury Department, which was $-0- on September 30, 2016. Unless the City is likely to meet any of the exceptions enumerated in the tax law, a liability is reported in the financial statements for the tentative rebate. The liability is reported in the government-wide statement of net position for invested proceeds of capital projects funds. The liability is reported in the applicable proprietary fund financial statement and the government-wide statement of net position for invested proceeds of that fund. Changes in the liability from year to year are reflected as an adjustment to investment income.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Equity

In the government-wide and proprietary fund financial statements, equity is classified as net position and is displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

- Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In the government-wide financial statements and the proprietary funds financial statements, restrictions of net position are reported for amounts legally or contractually segregated for specific future uses. Net position restricted for Passenger Facility Charges and Economic Development are restricted by enabling legislation.

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because it is not in a spendable form, such as inventory or prepaid items or because resources legally or contractually must remain intact.
Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely, the Mayor and City Council prior to the end of the reporting period through ordinance. The Mayor and City Council approval is required to commit resources or to rescind the commitment.

Assigned fund balances are limitations imposed by management based on the intended use of the funds. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. The City Manager is the official who is granted this authority by a vote of the City Council. Assignments for transfers and interest income for governmental funds are made through the budgetary process. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

I.E. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

- Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds are not eliminated in the statement of activities.

- Primary government and component unit activity and balances – Resource flows between the primary government and the discretely presented component units are reported as if they were external transactions.

Fund Financial Statements

Interfund activity, if any, within and among the governmental, proprietary fund, and fiduciary categories is reported as follows in the fund financial statements:

- Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.

- Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

- Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

I.F. Revenues, Expenditures, and Expenses

Charges to Other Funds

Charges for services provided and used between funds are accounted for as revenues and expenditures or expenses. These include charges to other funds by the general fund for administration and investment management; charges by self-insurance internal service funds to other funds for health, general and auto liability, and workers compensation; and charges by the vehicle maintenance internal service fund and communications fund to other funds.

Property Tax Revenues

Property tax revenues are recognized in governmental fund financial statements when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The balance of uncollected taxes, in excess of that recognized as revenues, is recorded as deferred revenue. In the government-wide financial statements, property tax revenues are recognized in the fiscal year for which they are levied.

The City's property tax is levied and becomes a lien each October 1 on 100 percent of assessed value listed for all real and personal property located in the City as of the prior January 1. Taxes become delinquent on January 31 following the October 1 levy date.

Collections on the current levy normally average about 95% to 99%. 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. Assessed values are established by the Tom Green County Appraisal District and certified by the Appraisal Review Board. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District based on 100 percent of its value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed every four years; however, the City may at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District 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, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the calculated tax rate of the previous year levy and the current year valuation.

Sales Tax

The City levies a one and one half cent sales tax on taxable sales within the City. The sales tax is collected by the Texas State Comptroller and remitted to the City in the month following receipt by the State Comptroller. The sales tax is recorded as follows:

- 1 cent recorded as revenue within the General Fund and then transferred throughout various funds to account for operations and facility improvements as recommended by the City Council.
- ½ cent recorded as revenue within the Development Corporation Fund that is transferred to various funds to account for improvements to park and building facilities; housing assistance programs; recreation funding; and civic events as recommended to the City Council by the Capital Improvement Plan.

Expenditures and Expenses

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class as current (further reported by function), capital outlay and debt service. In the proprietary fund financial statements, expenses are reported by object or activity. Fiduciary funds report additions and deductions to net position.

I.G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds' balance sheet includes a reconciliation between *total fund balances – governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. The governmental funds' statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *total net change in fund balances – governmental funds* and *change in net position of governmental activities* as reported in the government–wide statement of activities. One element of both reconciliations explains, "various reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting." The details of these differences are sufficiently described in the reconciliations; therefore, no additional disclosure is required.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations.

III.A. Deficit Fund Balances or Net Position

The Fairmount Cemetery Fund, a general fund, had a deficit fund balance of $151,212 as of September 30, 2016. The Workers' Compensation Insurance Fund, an internal service fund, had a deficit fund balance of $1,148,884 as of September 30, 2016. The Employee/Retiree Health Fund, an internal service fund, had a deficit fund balance of $1,333,179 as of September 30, 2016. The Vehicle Maintenance Fund, an internal service fund, had a deficit fund balance of $260,914 as of September 30, 2016.

III.B. Deposits and Investments Requirements

<u>Custodial Credit Risk for Deposits</u>

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity of its agent.

Since the City complies with this law, it has no substantial custodial credit risk for deposits.

<u>Compliance with the Public Funds Investment Act</u>

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for CDs.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City of San Angelo, Texas is in substantial compliance with the requirements of the Act and with local policies.

The City's investment policy authorizes investment in fully insured or collateralized certificates of deposit; obligations of the United States, its agencies, and instrumentalities; fully collateralized repurchase agreements; constant dollar local government investment pools (LGIPs); and SEC registered money market mutual funds, as allowed by state law (Texas Government Code 2256, Public Funds Investment Act).

IV. DETAIL NOTES – TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

IV.A. Deposit and Investment Risks

As of September 30, 2016, the City of San Angelo held the following investments. The carrying and fair value amounts are the same.

Primary Government

Reported in Investments:	Hierarchy	Credit Rating	Fair Value	< than 1 Year	Maturities in Years 1 to 2 Years	2+ Years
Collateralized CDs	N/A	N/A	$ 2,000,000	$ 2,000,000	$ -0-	$ -0-
Commercial Paper	1	N/A	9,991,660	9,991,660	-0-	-0-
Municipal Obligations	1	N/A	6,015,810	6,015,810	-0-	-0-
U.S. Treasury Notes and Bills	1	N/A	11,003,944	11,003,944	-0-	-0-
U.S. Agencies:						
FFCB	1	AAA	1,000,545	1,000,545	-0-	-0-
FHLB	1	AAA	7,010,502	2,004,674	4,005,830	999,998
FHLMC	1	AAA	38,502,330	6,002,818	20,997,955	11,501,557
FNMA	1	AAA	11,485,324	-0-	2,993,097	8,492,227
FAMCA	1	AAA	493,073	-0-	-0-	493,073
Total Reported in Investments			$ 87,503,188	$ 38,019,451	$ 27,996,882	$ 21,486,855

Investments on Statement of Net Position	Governmental Activities	Business-type Activities	Total
Current Investments	$ 35,694,745	$ 8,991,330	$ 44,686,075
Restricted Investments	14,696,083	28,121,030	42,817,113
Total Investments	$ 50,390,828	$ 37,112,360	$ 87,503,188

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs).

Because the investments are restricted by policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The exit or fair market prices used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

Additional policies and contractual provisions governing deposits and investments for the City of San Angelo, Texas are specified below:

Credit Risk

The primary stated objective of the City of San Angelo's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy is represented only in time and demand deposits, repurchase agreements, local government pools, municipal debt, and money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies, or instrumentalities. State law and the City's adopted Investment Policies for the City and Lake Nasworthy requires a procedure to monitor and react to credit ratings and a requirement to verify FDIC insurance weekly.

State law and the City of San Angelo's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit, to those banks doing business in the State of Texas and further requires full insurance and/or collateralization from these bank depositories. Depository certificates of deposit are limited to a stated maturity of one year. Collateral, with a 102% margin, is required, and collateral is limited to obligations of the U.S. Government, its agencies, or instrumentalities (with CMOs passing the bank test), or direct obligations of states, its subdivisions or agencies dual-rated at least A, or equivalent, as to investment quality by two nationally recognized securities rating organizations. Independent safekeeping of collateral is required outside the bank holding company with monthly reporting. Securities are priced at market on a daily basis as a contractual responsibility of the bank.

Brokered certificate of deposit securities must be from banks in the U.S. and fully insured by the FDIC. These are restricted to one year to stated maturity, and the City must verify FDIC status weekly.

Municipal Obligations must be dual-rated A or better by at least two national recognized securities rating organizations and may not exceed two years to stated maturity.

By policy and state law, repurchase agreements are limited to those with defined termination dates executed with a Texas bank or primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement, and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed six months to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The City's adopted Investment Policy restricts investment in SEC registered mutual funds to money market mutual funds that are rated AAA and striving to maintain a $1 net asset value (excluding prime funds specifically).

Local government investment pools in Texas are required to be rated AAA or equivalent by at least one nationally recognized rating agency. The City Policy is restricted to AAA-rated, constant dollar local government investment pools striving to maintain a $1 net asset value. Participation is by City Council resolution only.

As of September 30, 2016 in the City's Operating Portfolio,

- US Treasury Obligations represented 10.22% of the portfolio,
- US Government Agency Securities (non-MBS) represented 45.50% of the portfolio,
- A1/P1 Commercial Paper represented 9.28% of the portfolio,
- Investment in municipal obligations dual-rated A or better represented 4.66% of the total City portfolio, and
- FDIC insured or collateralized bank accounts represented 30.35% of the total City portfolio.

As of September 30, 2016, in the Lake Nasworthy Portfolio,

- US Government Securities (in four different agencies) represented 100% of the total Lake Nasworthy portfolio.

<u>Concentration of Credit Risk</u>

The City of San Angelo recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy (not Lake Nasworthy) establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types, which are monitored on at least a monthly basis.

Diversification limits on the overall holdings (not by fund) are established as:

• U.S. Obligations	80%
• U.S. Agencies/Instrumentalities	80%
• Certificates of Deposit (total)	40%
o Certificates of Deposit (per bank)	10%
• Repurchase Agreements	50%
o Flex Repurchase Agreements	100%
• LGIP (total)	80%
o LGIP (ownership of pool)	10%
• Money Market Mutual Funds	75%
• Commercial Paper	15%

- Municipal and State Obligations 40%
  - Issuer Limitation 5%
- Brokered Certificates of Deposit 20%

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the City of San Angelo's adopted Investment Policies set maximum maturity dates and maximum weighted average maturity limits by fund type. The weighted average maturity (WAM) of the total City portfolio is restricted to a maximum weighted average maturity of one year and a maximum WAM of three years for Lake Nasworthy. Maximum maturity limit for the City is three years and ten years for Lake Nasworthy.

As of September 30, 2016, in the City's Operating Portfolio,

- No holding had a stated maturity date beyond 08/23/19 or 1,056 days within the policy limits of three years maximum maturity, and
- The dollar-weighted average of the total portfolio was 365 days.

As of September 30, 2016 in the Lake Nasworthy Portfolio,

- No holding had a stated maturity date beyond 08/23/19 or 1,056 days within the policy limits of three years maximum maturity, and
- The dollar-weighted average of the total portfolio was 741 days.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the City of San Angelo's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City of San Angelo's name. The collateral custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value for both type transactions. All repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of U.S. Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

As of September 30, 2016, in both the City's Operating Portfolio and the Lake Nasworthy portfolio,

- The portfolios contained no repurchase agreements,
- All bank time and demand deposits were fully insured or collateralized to 102%, and
- All collateral was held by an independent institution outside the holding company of the pledging bank.

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Component Unit

Reported in Investments:	Hierarchy	Credit Rating	Fair Value	< than 1 Year	Maturities in Years 1 to 2 Years	2 to 3 Years
Commercial Paper	1	N/A	$ 999,622	$ 999,622	$ -0-	$ -0-
U.S. Treasury	1	N/A	1,001,092	1,001,092	-0-	-0-
U.S. Agencies:						
FFCB	1	AAA	998,050	-0-	998,050	-0-
FHLB	1	AAA	3,001,185	1,002,504	1,998,681	-0-
FHLMC	1	AAA	1,999,736	-0-	999,481	1,000,255
FAMCA	1	AAA	1,000,267	1,000,267	-0-	-0-
Total Reported in Investments			$ 8,999,952	$ 4,003,485	$ 3,996,212	$ 1,000,255

Investments on Statement of Net Position	
Current Investments	$ 8,999,952
Restricted Investments	-0-
Total Investments	$ 8,999,952

The City of San Angelo Development Corporation (Corporation) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and Level 3 inputs are significant unobservable inputs (the Corporation does not value any of its investments using Level 3 inputs).

Because the investments are restricted by policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The exit or fair market prices are used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

Additional policies and contractual provisions governing deposits and investments for the City of San Angelo Development Corporation are specified below:

Credit Risk

The primary stated objective of the City of San Angelo Development Corporation's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the Corporation's portfolio among the authorized investments approved by the City's adopted Investment Policy is represented only in time and demand deposits, repurchase agreements, local government pools, municipal debt, and money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies, or instrumentalities. State law and the Corporation's adopted Investment Policy requires a procedure to monitor and react to credit ratings and a requirement to verify FDIC insurance weekly.

State law and the Corporation's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit, to those banks doing business in the State of Texas and further requires full insurance and/or collateralization from these bank depositories. Depository certificates of deposit are limited to a stated maturity of one year. No time or demand deposit may exceed the FDIC insurance coverage.

Brokered certificate of deposit securities must be from banks in the U.S. and fully insured by the FDIC. These are restricted to one year to stated maturity, and the Corporation must verify FDIC status weekly.

Municipal Obligations must be dual-rated A or better by at least two nationally recognized securities rating organizations and may not exceed five years to stated maturity.

By policy and state law, repurchase agreements are limited to those with defined termination dates executed with a Texas bank or primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement, and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed six months to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

The adopted Investment Policy restricts investment in SEC registered mutual funds to money market mutual funds that are rated AAA and striving to maintain a $1 net asset value (excluding prime funds specifically).

Local government investment pools in Texas are required to be rated AAA or equivalent by at least one nationally recognized rating agency. The Corporation Policy is restricted to AAA-rated, constant dollar local government investment pools striving to maintain a $1 net asset value. Participation is by Board resolution only.

As of September 30, 2016 in the Corporation's Portfolio,

- US Treasury Obligations represented 7.66% of the portfolio,
- US Government Agency Securities (non-MBS) represented 53.58% of the portfolio,
- A1/P1 Commercial Paper represented 7.65% of the portfolio, and
- FDIC insured or collateralized bank accounts represented 31.11% of the total Corporation portfolio.

Concentration of Credit Risk

The Corporation recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types, which are monitored on at least a monthly basis.

Diversification limits on the overall holdings (not by fund) are established as:

• Depository CDs	40%
o Per Bank	10%
• U.S. Treasuries	10%
• U.S. Agencies and Instrumentalities	10%
• Repurchase Agreements	50%
• Constant Dollar LGIP	80%
• LGIP (total)	80%
o LGIP (ownership of pool)	10%
• Money Market Mutual Funds	75%
• Municipal and State Obligations	40%
• FDIC Brokered CDs	20%
• Commercial Paper	15%

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the Corporation's adopted Investment Policy sets maximum maturity dates and maximum weighted average maturity limits by fund type. The weighted average maturity (WAM) of the total Corporation portfolio is restricted to a maximum weighted average maturity of two years and a maximum maturity of five years.

As of September 30, 2016, in the Corporation's Portfolio,

- No holding had a stated maturity date beyond 08/23/19 or 1,056 days within the policy limits of three years maximum maturity, and
- The dollar-weighted average of the total portfolio was 343 days.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the Corporation's adopted Investment Policy requires collateral for repurchase agreements be transferred delivery versus payment and held by an independent party approved by the Corporation and held in the Corporation's name.

As of September 30, 2016, in the Corporation's Portfolio,

- The portfolio contained no repurchase agreements, and
- All bank time and demand deposits were fully insured.

IV.B. Accounts Receivable

Governmental Activities

Receivables as of September 30, 2016 for the government's individual major governmental funds and aggregated nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sales Tax Capital Project	Capital Improvement Fund	Other Governmental Funds	Total Governmental Activities
Accounts Receivables					
Ambulance	$12,351,128	$ -0-	$ -0-	$ -0-	$ 12,351,128
Code Enforcement	773,369	-0-	-0-	-0-	773,369
Demolition	561,455	-0-	-0-	-0-	561,455
Parks and Recreation	7,216	-0-	-0-	-0-	7,216
Permits	46,473	-0-	-0-	-0-	46,473
Program Loans	-0-	-0-	-0-	342,480	342,480
Miscellaneous	683,037	-0-	-0-	625,009	1,308,046
Gross Accounts Receivable	$14,422,678	$ -0-	$ -0-	$ 967,489	$ 15,390,167
Less: Allowance for Uncollectible	(11,591,515)	-0-	-0-	(11,886)	(11,603,401)
Net Accounts Receivable	$ 2,831,163	$ -0-	$ -0-	$ 955,603	$ 3,786,766
Miscellaneous Internal Service	$ -0-	$ -0-	$ -0-	$ -0-	$ 190,431
Less: Allowance for Uncollectible	-0-	-0-	-0-	-0-	(116,890)
Net Internal Service Accounts Receivable	$ -0-	$ -0-	$ -0-	$ -0-	$ 73,541
Total	$ -0-	$ -0-	$ -0-	$ -0-	$ 3,860,307

Business-Type Activities

Receivables as of September 30, 2016 for the government's individual major enterprise funds and nonmajor enterprise funds, including allowances for uncollectible accounts, are as follows:

	Water Fund	Sewer Fund	Airport Fund	Other Enterprise Funds	Total Enterprise Funds
Utilities Receivable	$5,763,880	$1,641,101	$ -0-	$ 801,127	$ 8,206,108
Meter Deposits	2,355	-0-	-0-	-0-	2,355
Miscellaneous	11,181	154,051	101,156	328,593	594,981
Net Accounts Receivable	$5,777,416	$1,795,152	$ 101,156	$ 1,129,720	$ 8,803,444
Less: Allowance for Uncollectibles	(1,645,897)	(470,973)	-0-	(80,064)	(2,196,934)
Net Total Receivable	$4,131,519	$1,324,179	$ 101,156	$ 1,049,656	$ 6,606,510

IV.C. Restricted Assets

The amounts reported as restricted assets of the governmental activities and business-type activities are comprised of assets held by trustee and depository banks for the following restricted purposes:

	Cash and Cash Equivalents	Investments	Closure and Post-Closure Trust Fund
Primary Government			
Governmental Activities			
Deposits Held for Debt Service	$ 1,130,073	$ 2,043,502	$ -0-
Deposits Held for Business Development	625,646	-0-	-0-
Deposits Held for Purposes Specified by Donors	97,496	130,078	-0-
Deposits Held for Park Improvements	13,925	-0-	-0-
Deposits Held for Lake Nasworthy Improvements	1,019,374	12,522,503	-0-
Total Governmental Activities	$ 2,886,514	$ 14,696,083	$ -0-
Business-type Activities			
Deposits Held for Debt Service	$ 1,335,543	$ 5,676,355	$ -0-
Deposits Held for Capital Projects	5,405,138	18,655,438	-0-
Deposits Held for Water Rights	-0-	3,120,900	-0-
Deposits Held for Construction	-0-	668,337	-0-
Deposits Held for Airport Construction	631,793	-0-	-0-
Deposits Held for Landfill Closure and Post-Closure	-0-	-0-	5,138,430
Total Business-type Activities	$ 7,372,474	$ 28,121,030	$ 5,138,430

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IV.D. Capital Assets

Current year changes in capital assets are summarized below:

Governmental Activities

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	$ 4,500,105	$ -0-	$ -0-	$ -0-	$ 4,500,105
Construction in Progress	19,603,702	10,747,901	(1,269,048)	-0-	29,082,555
Total Non-Depreciable	$ 24,103,807	$ 10,747,901	($ 1,269,048)	$ -0-	$ 33,582,660
Assets Being Depreciated:					
Buildings	$ 49,663,873	$ -0-	$ -0-	$ -0-	$ 49,663,873
Improvements Other Than Buildings	42,304,692	1,282,699	(2,000)	-0-	43,585,391
Infrastructure	23,757,252	-0-	-0-	-0-	23,757,252
Machinery and Equipment	31,690,192	1,348,892	(1,261,117)	90,275	31,868,242
Total Depreciable	$147,416,009	$ 2,631,591	($ 1,263,117)	$ 90,275	$148,874,758
Less Accumulated Depreciation:					
Buildings	$ 31,665,812	$ 1,826,641	$ -0-	($ 615)	$ 33,491,838
Improvements Other Than Buildings	13,509,264	3,030,304	(2,000)	-0-	16,537,568
Infrastructure	19,451,274	31,741	-0-	-0-	19,483,015
Machinery and Equipment	26,935,695	2,410,699	(1,256,280)	29,840	28,119,954
Total Accumulated Depreciation	$ 91,562,045	$ 7,299,385	($ 1,258,280)	$ 29,225	$ 97,632,375
Assets Being Depreciated – Net	$ 55,853,964	($ 4,667,794)	($ 4,837)	$ 61,050	$ 51,242,383
Governmental Activities Capital Assets - Net	$ 79,957,771	$ 6,080,107	($ 1,273,885)	$ 61,050	$ 84,825,043

Business-type Activities

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	$ 7,803,872	$ 54,123	$ -0-	$ -0-	$ 7,857,995
Construction in Progress	123,375,274	11,261,034	(259,011)	-0-	134,377,297
Water Rights	36,950,835	-0-	-0-	-0-	36,950,835
Total Non-Depreciable	$168,129,981	$ 11,315,157	($ 259,011)	$ -0-	$179,186,127
Assets Being Depreciated:					
Buildings	$ 29,417,465	$ 142,500	$ -0-	$ -0-	$ 29,559,965
Improvements Other Than Buildings	31,863,900	296,218	-0-	-0-	32,160,118
Infrastructure	182,290,818	-0-	-0-	-0-	182,290,818
Machinery and Equipment	28,597,344	249,164	(133,954)	(90,275)	28,622,279
Total Depreciable	$272,169,527	$ 687,882	($ 133,954)	($ 90,275)	$272,633,180
Less Accumulated Depreciation:					
Buildings	$ 19,092,013	$ 605,496	$ -0-	$ -0-	$ 19,697,509
Improvements Other Than Buildings	13,046,377	3,310,634	-0-	-0-	16,357,011
Infrastructure	95,643,512	4,448,826	-0-	-0-	100,092,338
Machinery and Equipment	16,679,205	1,312,199	(129,063)	(29,225)	17,833,116
Total Accumulated Depreciation	$144,461,107	$ 9,677,155	($ 129,063)	($ 29,225)	$153,979,974
Assets Being Depreciated – Net	$127,708,420	($ 8,989,273)	($ 4,891)	($ 61,050)	$118,645,206
Business-type Activities Capital Assets - Net	$295,838,401	$ 2,325,884	($ 263,902)	($ 61,050)	$297,839,333

Discretely Presented Component Unit – Development Corporation

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Assets Not Being Depreciated:					
Land	$ 107,627	$ -0-	($ 600)	$ -0-	$ 107,027
Total Non-Depreciable	$ 107,627	$ -0-	($ 600)	$ -0-	$ 107,027
Assets Being Depreciated:					
Buildings	$ 2,004,967	$ -0-	$ -0-	$ -0-	$ 2,004,967
Improvements Other Than Buildings	1,085,874	-0-	-0-	-0-	1,085,874
Total Depreciable	$ 3,090,841	$ -0-	$ -0-	$ -0-	$ 3,090,841
Less Accumulated Depreciation:					
Buildings	$ 459,470	$ 100,250	$ -0-	$ -0-	$ 559,720
Improvements Other Than Buildings	-0-	-0-	-0-	-0-	-0-
Total Accumulated Depreciation	$ 459,470	$ 100,250	$ -0-	$ -0-	$ 559,720
Assets Being Depreciated – Net	$ 2,631,371	($ 100,250)	$ -0-	$ -0-	$ 2,531,121
Governmental Activities Capital Assets - Net	$ 2,738,998	($ 100,250)	($ 600)	$ -0-	$ 2,638,148

Depreciation expense was charged to functions in the statement of activities as follows:

Governmental Activities:	
General Government	$ 188,915
Public Safety	1,537,938
Public Works and Transportation	484,294
Public Facilities	2,754,432
Health and Human Services	157,568
Culture, Parks, and Recreation	1,600,053
Urban Redevelopment and Housing	2,589
Capital Assets Held by the City's Internal Service Funds are Charged to the Various Functions on Their Usage of the Assets	573,596
Total Depreciation Expense – Governmental Activities	$ 7,299,385
Business-type Activities:	
Water	$ 3,248,228
Sewer	3,266,047
Stormwater	200,714
Solid Waste	122,702
Airport	2,603,762
State Office Building	235,702
Total Depreciation Expense – Business-type Activities	$ 9,677,155
Discretely Presented Component Unit:	
Development Corporation	$ 100,250

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IV.E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund receivables and payables at September 30, 2016 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Intergovernmental Fund	$ 138,529
General Fund	Sales Tax Projects Fund	281,755
General Fund	Communications Fund	4,699,170
General Fund	Employee/Retiree Health Fund	93,070
Water Fund	General Fund	26,454
General Fund	Airport Fund	1,150,213
General Fund	Sewer Fund	3,968,650
General Fund	State Office Building	513,611
Employee/Retiree Health Fund	Workers Compensation Fund	8
Total Interfund		$ 10,871,460

Reconciliation to Fund Financial Statements:	Due From Other Funds	Due To Other Funds
Governmental Funds	$ 10,844,998	$ 446,738
Internal Service Funds	8	4,792,248
Enterprise Funds	26,454	5,632,474
Total	$ 10,871,460	$ 10,871,460

Interfund Transfers

Interfund Transfers for the year ended September 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Nature of Interfund Balance
General Fund	Water Fund	$ 5,890	Postage and Supplies
Sewer Fund	General Fund	592,226	Sewer Franchise Fees
Water Fund	General Fund	1,168,781	Water Franchise Fees
Solid Waste	General Fund	255,000	Solid Waste Franchise Fees
Sewer Fund	General Fund	200,000	PILOT Transfer
Sewer Fund	Water Fund	353,241	To Fund Billing Fees
General Fund	Stormwater Fund	95,000	Mowing
General Fund	Intergovernmental Fund	381,869	Local Match for Grants
Lake Nasworthy Trust Fund	Water Fund	116,889	Investment Income Allocated To Improvements
Sales Tax Projects	Airport Fund	203,617	Fund Capital Asset Projects
Intergovernmental Fund	General Fund	280,000	Budgeted for Sales Tax
Intergovernmental Fund	General Fund	89,437	Indirect Cost Allocation Per Plan
Water Fund	General Fund	2,167,702	Indirect Cost Allocation Per Plan
Sewer Fund	General Fund	485,566	Indirect Cost Allocation Per Plan
Airport Fund	General Fund	79,829	Indirect Cost Allocation Per Plan
Stormwater Fund	General Fund	211,710	Indirect Cost Allocation Per Plan
		$ 6,686,757	

Reconciliation to Fund Financial Statements:	Transfers to Other Funds	Transfers from Other Funds
Governmental Funds:		
General Fund	$ 482,759	$ 5,530,251
Sales Tax Projects Fund	203,617	-0-
Other Governmental Funds	486,326	381,869
Total Governmental Funds	$ 1,172,702	$ 5,912,120
Proprietary Funds:		
Enterprise Funds:		
Water Enterprise Fund	$ 3,336,483	$ 476,020
Sewer Enterprise Fund	1,631,033	-0-
Airport Enterprise Fund	79,829	203,617
Other Enterprise Funds	466,710	95,000
Total Enterprise Funds	$ 5,514,055	$ 774,637
Total Proprietary Funds	$ 5,514,055	$ 774,637
Totals	$ 6,686,757	$ 6,686,757

Reconciliation to Statement of Activities:	Transfers to Other Funds	Transfers From Other Funds	Transfer of Capital Assets	Net Transfers
Net Transfers for Governmental Activities:				
Governmental Funds	($ 1,172,702)	$ 5,912,120	$ 61,050	$ 4,800,468
Total Net Transfers for Governmental Activities	($ 1,172,702)	$ 5,912,120	$ 61,050	$ 4,800,468
Net Transfers for Business-type Activities:				
Enterprise Funds	($ 5,718,913)	$ 979,495	($ 61,050)	($ 4,800,468)
Total Net Transfers for Business-type Activities	($ 5,718,913)	$ 979,495	($ 61,050)	($ 4,800,468)

The City subsidizes the annual operations of the one discretely presented component unit. Transfers between the primary government and the component unit for the year ended September 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Nature of Interfund Balance
Development Corporation	General Fund	$ 101,881	Administrative Staff Services
Development Corporation	General Fund	364,560	Staff Services Contract
Development Corporation	General Fund	274,273	Parks Maintenance
Development Corporation	Debt Service Fund	2,473,747	Debt Service Payment for Long-Term Debt
Development Corporation	Airport Fund	240,000	Fire System Installation
Development Corporation	Water Fund	1,500,000	Debt Service Payment for Long-Term Debt
Development Corporation	Community Development Fund	10,000	Neighborhood Blitz
Development Corporation	General Fund	4,870,744	Voter Approved Projects
Development Corporation	Water Fund	57,643	West Texas Water Partnership
Development Corporation	Water Fund	40,450	Red Arroyo Feasibility Study
Development Corporation	Water Fund	1,200,000	Water Reuse Project
		$ 11,133,298	

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IV.F Leases

Operating Leases - City as a Lessor

The City leases out most of the space in the State Office Building, land around Lake Nasworthy, the sewer treatment plant, and certain facilities at the airport. None of the lease agreements are non-cancelable. The land cost is $3,125,499. The depreciable facilities have total cost of $13,995,773 with accumulated depreciation of $ 9,564,409 leaving the carrying amount at $4,431,364. Total rent received during the year was $2,994,586.

The City leases the landfill to Republic Waste Services of Texas, Ltd. for an annual lease payment of $573,000, which is payable in monthly payments of $50,980. In October 2016, the annual lease payments will increase by $3,230 per year. The term of the lease ends when the landfill has reached its capacity.

Operating Leases - City as a Lessee

The City rents copiers on a month-to-month basis. Total rental cost for the year was $206,643.

IV.G. Long-Term Debt

The City's long-term debt is segregated by the amounts involving governmental activities, business-type activities, and component units.

Governmental Activities Long-Term Debt

As of September 30, 2016, the governmental activities long-term debt consisted of the following:

Accrued Compensated Absences:

Current Portion	$	849,734
Noncurrent Portion		11,236,135
Total Accrued Compensated Absences	$	12,085,869

Bonds Payable:

General Refunding Bonds:

2012 Series General Obligation Refunding Bond, dated December 12, 2012, issued by the City of San Angelo, secured by ad valorem tax revenue, original issue amount of $6,095,000, interest rate is 2.00%-2.50%, final maturity February 15, 2020, used for capital improvements. The bond's debt service is currently paid with ad valorem tax.	$	5,660,000
2016 General Refunding Bond, dated February 15, 2016, issued by the City of San Angelo, secured by ad valorem tax revenue, original issue amount of $17,720,000, interest rate is 2.00%-5.00%, final maturity February 15, 2036, used for capital improvements. The bond's debt service is currently paid with ad valorem tax.		17,720,000
Total General Refunding Bonds	$	23,380,000

Certificates of Obligation:

2009 Series Certificate of Obligation, dated July 21, 2009, issued by the City of San Angelo, secured by combination tax and surplus revenue, original issue amount of $14,600,000, interest rates from 2.00%-5.00%, final maturity February 15, 2029, used for capital improvements and acquisition of assets. The bond's debt service is currently paid with ad valorem tax and surplus revenue.	$	2,165,000
2011-A Series Certificate of Obligation, dated July 6, 2011, issued by the City of San Angelo, secured by combination tax and surplus revenue, original issue amount of $13,780,000, interest rates from 2.00%-5.00%, final maturity February		

15, 2036, used for capital improvements. The bond's debt service is currently paid with type B sales tax and surplus revenue.		12,985,000
2008 Series Certificate of Obligation, dated September 11, 2008, issued by the City of San Angelo, secured by pledged sales tax, original issue amount of $10,145,000, interest rates from 3.50%-5.00%, final maturity February 15, 2025, used for capital improvements. The bond's debt service is currently paid with restricted sales tax.		200,000
2015 Series Certificate of Obligation, dated March 18, 2015, issued by the City of San Angelo, secured by pledged sales tax, original issue amount of $13,260,000, interest rates from 2.00%-3.50%, final maturity February 15, 2035, used to promote state or local economic development. The bond's debt service is currently paid with property tax.		10,360,000
2016 Series Certificate of Obligation, dated February 15, 2016, issued by the City of San Angelo, secured by pledged sales tax, original issue amount of $15,615,000, interest rates from 2.00%-5.00%, final maturity February 15, 2036, used for construction projects. The bond's debt service is currently paid with property tax.		15,615,000
Total Certificates of Obligation	$	41,325,000
Total Bonds Payable	$	64,705,000
Add: Unamortized Bond Premium		4,059,424
Total Bonds Payable, Net	$	68,764,424
Current Portion, Net	$	3,335,000
Noncurrent Portion, Net		65,429,424
Total Bonds Payable, Net	$	68,764,424

Note Payable:

Section 108 HUD Guaranteed Promissory Note to U.S. Department of Housing and Urban Development, original issue amount of $2,035,000, interest rate of 2.00%-5.00%, final maturity August 1, 2030.	$	1,500,000
Current portion	$	107,000
Noncurrent portion		1,393,000
Total Note Payable	$	1,500,000

Changes in Long-Term Debt:

	Balance September 30, 2015	Additions	Deductions	Balance September 30, 2016	Amount Due in One Year
Governmental Activities					
Compensated Absences	$ 11,237,129	$ 970,538	$ 121,798	$ 12,085,869	$ 849,734
Insurance Claims Payable	2,858,434	5,286,903	3,877,553	4,267,784	2,220,081
Bonds Payable	55,375,000	33,335,000	24,005,000	64,705,000	3,335,000
Unamortized Bond Premium	643,780	3,575,885	160,241	4,059,424	-0-
Note Payable	1,607,000	-0-	107,000	1,500,000	107,000
	$ 71,721,343	$ 43,168,326	$28,271,592	$ 86,618,077	$ 6,511,815

Debt Service Requirements to Maturity:

For the Year Ending September 30,	Principal	Interest
2017	$ 8,492,000	$ 3,317,094
2018	3,917,000	3,002,980
2019	3,942,000	2,473,061
2020	4,017,000	1,911,504
2021	4,127,000	1,799,547
2022-2026	17,720,000	6,703,788
2027-2031	12,580,000	3,451,095
2032–2036	11,410,000	1,145,889
Total	$ 66,205,000	$ 23,804,958

For governmental activities, compensated absences and claims and judgments payable are liquidated by the general fund.

Business-type Activities Long-Term Debt

As of September 30, 2016, the business-type activities long-term debt consisted of the following:

Accrued Compensated Absences:

Current Portion	$	119,987
Noncurrent Portion		1,519,593
Total Accrued Compensated Absences	$	1,639,580

Landfill Postclosure Care Liability:

Landfill Postclosure Care Liability	$	3,973,739

Bonds Payable:

General Refunding Bonds:

2007 Series General Obligation Refunding Bond, dated August 21, 2007, issued by the City of San Angelo, secured by utility revenue, original issue amount of $9,420,000, interest rates from 4.00%-4.50%, final maturity February 15, 2021, used for water and sewer improvements.	$	4,740,000
2011 Series General Obligation Refunding Bond, dated April 6, 2011, issued by the City of San Angelo, secured by utility revenue, original issue amount of $13,174,100, interest rates from 2.00%-5.00%, final maturity February 15, 2023, used for water and sewer improvements.		8,180,350
2011-B Series General Obligation Refunding Bond, dated May 3, 2011, issued by the City of San Angelo, secured by utility revenue, original issue amount of $28,030,000, interest rates from 2.00%-5.00%, final maturity February 15, 2023, used for water and sewer improvements.		8,406,615
2009 Series General Obligation Refunding Bond, dated August 16, 2009, issued by the City of San Angelo, sec ured by ad valorem tax revenue, original issue amount of $2,532,750, interest rates from 2.00%-4.00%, final maturity February 15, 2017, used for water and sewer improvements.		355,000
2011 Series General Obligation Refunding Bond, dated April 6, 2011, issued by the City of San Angelo, secured by ad valorem tax revenue, original issue amount of $392,420, interest rates from 2.00%-5.00%, final maturity February 15, 2023, used for water and sewer improvements.		243,430
2011 Series General Obligation Refunding Bond, dated April 6, 2011, issued by the City of San Angelo, secured by ad valorem tax revenue, original issue amount of $924,990, interest rates from 2.00%-5.00%, final maturity February 15, 2023, used for water and sewer improvements.		574,605
2014 Series General Obligation Refunding Bond, dated December 1, 2014, issued by the City of San Angelo, secured by ad valorem tax revenue, original issue amount of $7,650,000, interest rates from 2.00% -4.00%, final maturity February 15, 2026, used for water and sewer improvements.		7,405,000
Total General Refunding Bonds	$	29,905,000

Certificates of Obligation:

2007-A Series Certificate of Obligation, dated August 21, 2007, issued by the City of San Angelo, secured by utility revenue, original issue amount of $19,030,000, interest rates from 4.00-5.25%, final maturity February 15, 2027, used for water and sewer improvements.	$	5,190,000
Total Certificates of Obligation	$	5,190,000
Total Bonds Payable	$	35,095,000
Add: Unamortized Bond Premium		849,246
Total Bonds Payable, Net	$	35,944,246
Current Portion, Net	$	4,935,000
Noncurrent Portion, Net		31,009,246
Total Bonds Payable, Net	$	35,944,246

Note Payable:

2011-B Series Drinking Water SRF Promissory Note to Texas Water Development Board, original issue amount of $120,000,000, secured by utility revenues, interest rates of 0.00%-2.07%, final maturity September 15, 2031, used to increase water supply; remaining funds left to draw are $1,643,341.	$	91,355,000
Promissory Note to City of San Angelo Development Corp.		273,594
	$	91,628,594
Current Portion	$	5,760,788
Noncurrent Portion, Net		85,867,806
Total Note Payable	$	91,628,594

Changes in Long-Term Debt:

	Balance September 30, 2015	Additions	Deductions	Balance September 30, 2016	Amount Due in One Year
Business-type Activities					
Compensated Absences	$ 1,430,979	$ 256,611	$ 48,010	$ 1,639,580	$ 119,987
Water Rights Obligation	5,185,272	-0-	1,411,997	3,773,275	674,736
Landfill Postclosure	3,757,169	216,570	-0-	3,973,739	-0-
Bonds Payable	44,900,000	-0-	9,805,000	35,095,000	4,935,000
Unamortized Bond Premium	1,017,196	-0-	167,950	849,246	-0-
Note Payable	97,075,000	-0-	5,720,000	91,355,000	5,720,000
Promissory Note to COSADC	315,827	-0-	42,233	273,594	40,788
	$153,681,443	$ 473,181	$17,195,190	$ 136,959,434	$11,490,511

Debt Service Requirements to Maturity:

For the Year Ending September 30,	Principal	Interest
2017	$ 10,655,000	$ 2,796,105
2018	10,685,000	2,603,463
2019	10,475,000	2,412,262
2020	10,710,000	2,190,073
2021	10,975,000	1,902,761
2022-2026	38,980,000	6,069,454
2027-2031	33,970,000	1,686,932
Total	$ 126,450,000	$ 19,661,050

Advanced Refunding

On April 7, 2016, the City issued $17.720 million Series 2016 General Obligation Refunding Bonds with interest rates ranging from 2.0% to 5.0%. The proceeds were used to advance refund $9,145,000 of outstanding 2008 Series Certificates of Obligation with interest rates ranging from 4.25% to 5.0% and $9,700,000 of outstanding 2009 Series Certificates of Obligation with interest rates ranging from 4.125% to 5.0%. The net proceeds of $20,899,853 (including a $3,037,353 premium and after payment of $305,037 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2008 and 2009 Series bonds are considered defeased, and the liability on the government-wide statement of net position has decreased by $18,845,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,777,449. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using the effective interest method. The City completed the advance refunding to reduce its total debt service payments over the next ten years by $1,782,506 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of $1,691,811.

Defeased Bonds Outstanding

The City, through its various public trusts, has in substance defeased a number of outstanding bond issues by placing deposits in irrevocable trusts (escrow accounts) for the purchase of U.S. government securities to pay the principal and interest on the refunded bonds as they become due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. As of September 30, 2016, the balance of defeased bonds outstanding is $26,240,000.

Landfill Closure and Post-Closure

The City accounts for its landfill closure and post-closure care costs in accordance with GASB No. 18, “Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs.”

Federal and state laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as a liability on the Statement of Net Position in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as more fully described below.

The landfill post-closure care liability at year-end of $3,973,739 represents the cumulative amount to date based on the use of approximately 75.57% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of post-closure care of $5,258,311 as the remaining estimated capacity is filled. These amounts are based on expected future costs to perform all post-closure activities based upon the current cost of those activities. Based upon current usage and capacity estimates, the landfill could continue accepting solid waste for approximately 20 more years. Actual costs may differ from the estimated amounts due to inflation and changes in technology and/or applicable laws and regulations between now and the actual date of closure.

On August 1, 2014, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for an operating lease of the landfill that ends when the landfill reaches capacity. The City received an initial payment of $4,735,000 into the trust. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements, and at September 30, 2016, investments are held for these purposes. The total contributed by Republic Services as of September 30, 2016 is $5,138,430.

Long-term Water Purchase Contracts

The City is obligated to make specific annual payments to the contractors under three unconditional water purchase contracts, whether the City actually receives water or not. These rights are being treated as intangible assets with indefinite useful lives. The contractors obtained permits to impound water from the State of Texas and constructed three dams and reservoirs with financing obtained using water purchase contracts as a basis for obtaining credit and as a means for the payment and security of all bonds issued by the Colorado River Municipal Water District projects. The City is also obligated under these three contracts for annual operating expenses of the projects. Further details of each contract follow:

Colorado River Municipal Water District (CRMWD)

Project Name: Spence Dam and Reservoir (Spence) – By contract dated August 19, 1997; the City exercised its option to continue receiving water for the entire useful life of the dam and reservoir. Monthly payments of $76,440 from January 1, 1996 through September 30, 2021 are required under the new contract. Payments under the prior contract and the current one will total $3,866,330.

Project Name: Ivie Pipeline – Annual payments of $598,296 to $761,827 are required through the year 2021 for the retirement of the contractor's debt. Total estimated payments are approximately $22,322,669. The City is responsible for the operation and maintenance of the pipeline system to its juncture point just north of the city limits for the entire life of the system as follows:

Central Station and System	27.78%
Minimum Electric Power Charges	31.25%
Other Electric	pro-rata for water received

The City's present value of future annual commitments under the contracts are as follows:

Fiscal Year	Spence	Ivie Pipeline	Total
2017	$ 76,440	$ 598,296	$ 674,736
2018	76,440	636,101	712,541
2019	76,440	676,984	753,424
2020	76,440	717,867	794,307
2021	76,440	761,827	838,267
Total Commitments	$ 382,200	$ 3,391,075	$ 3,773,275

The City paid $1,411,997 under all of these water purchase contracts in the current year.

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IV.H. Fund Balances and Net Position

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

	General Fund	Sales Tax Capital Project	Capital Improvement Plan	Debt Service Fund	Other Governmental Funds
Nonspendable for:					
Inventories	$ 37,304				
Prepaids	7,634				
Lake Nasworthy					$ 12,737,748
Sante Fe Park					10,000
Total Nonspendable	$ 44,988				$ 12,747,748
Restricted for:					
Economic Development					$ 1,525,514
Grant Expenditures					991,597
Santa Fe Park					3,925
Lake Nasworthy					834,741
Total Restricted					$ 3,355,777
Committed for:					
Designated Purposes					$ 224,988
Debt Service				$ 3,218,102	
Capital Improvements		$ 1,139,847	$ 25,610,851		
Total Committed		$ 1,139,847	$ 25,610,851	$ 3,218,102	$ 224,988

The amounts Committed for Designated Purposes include citizen donations for specific items related to Public Safety, Culture, Parks and Recreation, and Capital Outlay.

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Restatements

The City restated beginning net position and fund balances as shown below:

	Funds Level	Government-Wide
Governmental Activities:		
Beginning Balance as Previously Reported	$ 75,945,008	$ 22,386,941
Add: Correct Addition of CIP	2,866,846	2,866,846
Less: Correct Property Tax Receivable	(3,017,222)	(3,017,222)
Add: Correct Expense Recorded to Incorrect Fund	7,339	7,339
Add: Correct for Over Accrual of Expense	126,673	126,673
Total Changes to Beginning Balance as Previously Reported	($ 16,364)	($ 16,364)
Beginning Balance as Restated	$ 75,928,644	$ 22,370,577
Business-type Activities:		
Beginning Balance as Previously Reported	$ 192,402,399	$ 192,402,399
Less: Correct Expense Recorded to Incorrect Fund	(7,339)	(7,339)
Add: Correct for Contributions for Closure and Post-Closure	215,151	215,151
Total Changes to Beginning Balance as Previously Reported	$ 207,812	$ 207,812
Beginning Balance as Restated	$ 192,610,211	$ 192,610,211

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IV.I Segment Information

The City issued revenue bonds and certificates of obligation to finance additions and improvements to its Water and Sewer facilities and construction costs and improvements to its State Office Building. Investors in the bonds and certificates rely solely on the revenue generated by the individual activities for repayment. The Water Department operates the City's water supply system, and the Sewer Department operates the City's sewage treatment plant, sewage pumping stations, and collection systems. Financial information for the Water and Sewer funds (major funds) is reported separately in the proprietary funds statement of net position, statement of activities, and statement of cash flows. The State Office Building provides a full service lease to thirteen state agencies. Summary financial information for the State Office Building fund is presented below:

Condensed Statement of Net Position		
Assets		
Current Assets	$	74,454
Capital Assets		3,216,593
Other Noncurrent Assets		-0-
Total Assets	$	3,291,047
Deferred Outflows of Resources		
Deferred Amounts Related to Pensions	$	42,548
Liabilities		
Current Liabilities	$	556,897
Noncurrent Liabilities Due Within One Year		477,670
Noncurrent Liabilities Due After One Year		877,454
Total Liabilities	$	1,912,021
Deferred Inflows of Resources		
Deferred Amounts Related to Pensions	$	4,517
Net Position		
Net Investment in Capital Assets	$	2,014,021
Unrestricted	(	596,964)
Total Net position	$	1,417,057
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Revenues Pledged for Payment of Bonds and COs	$	1,276,717
Cost of Sales and Services and Administrative	(	850,805)
Depreciation and Amortization	(	235,702)
Operating Income	$	190,210
Non-Operating Revenues (Expenses)		
Investment Income		112
Change in Fair Value of Investments		190
Interest Expense	(	40,873)
Change in Net Position	$	149,639
Net Position – Beginning		1,267,418
Net Position – Ending	$	1,417,057
Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	$	481,629
Non-Capital Financing Activities		40,382
Capital and Related Financing Activities	(	502,279)
Investing Activities	(	4,455)
Net Increase (Decrease) in Cash	$	15,277
Cash and Cash Equivalents – Beginning		-0-
Cash and Cash Equivalents – Ending	$	15,277

V. OTHER INFORMATION

V.A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City manages these various risks of loss as follows:

Risk Category	Retained Risk	Commercial Insurance Purchased
General/Professional Liability	Deductibles up to $500,000	Up to $10,000,000 Less Deductible
Workers' Compensation	$650,000/Occurrence/Person	$1,000,000/Occur/Yr. Less Retained Risk
Property Damage	$10,000 to $25,000	Up to $143,503,324 Less Deductibles
Employee/Retiree Health	100% of Risk	None
Pollution Liability	$10,000	$1,000,000

The amount of settlements for each of the past three fiscal years has not exceeded insurance coverage. Coverages have not changed from the prior year.

All of the City's funds participate in the employee/retiree health, property and casualty, and workers' compensation programs and make payments to the internal service funds based on actuarial estimates for liability and workers' compensation in amounts needed to pay prior and current year claims and to establish "reserves" for catastrophic losses. The payments for employee/retiree health were the amounts previously paid for commercial insurance coverage. The estimate calculation includes costs such as legal fees and expert witnesses but excludes general administrative and risk management services as well as costs of excess coverages and actuarial fees. The reserves (reported as unrestricted net position) at year-end were ($1,333,179), $948,508, and ($1,148,884) for employee/retiree health, property and casualty, and workers compensation, respectively.

The claims liabilities reported in the funds are based on an actuarial estimate for property and casualty, workers compensation, and claims payments after year-end for employee/retiree health. The actuarial liabilities are discounted to present value using a 3% annual investment return on assets held in support of the liabilities and are based on industry payments modified by the City's actual experience.

Changes in the funds' liabilities for the past two fiscal years were as follows:

	Employee/ Retired Health	Property and Casualty	Workers' Compensation	Total
September 30, 2014	$ 281,071	$ 737,290	$ 1,742,169	$ 2,760,530
FY14 Incurred	-0-	153,035	751,894	904,929
FY14 Paid	(43,610)	(223,881)	(539,534)	(807,025)
September 30, 2015	$ 237,461	$ 666,444	$ 1,954,529	$ 2,858,434
FY15 Incurred	3,585,987	888,179	812,737	5,286,903
FY15 Paid	(2,816,424)	(704,470)	(356,659)	(3,877,553)
September 30, 2016	$ 1,007,024	$ 850,153	$ 2,410,607	$ 4,267,784

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V.B. Commitments and Contingencies

Construction Commitments

At year-end, the City had the following major projects in progress:

Project Descriptions	Funding Source	Budget	Spent to Date	Balance
Hickory Well Field Expansion	Type B Sales Tax/Water Fees	17,335,865	16,054,921	1,102,676
Water Treatment Plan Improvements	Type B Sales Tax/Water Fees	2,685,250	2,314,806	370,444
Auditorium Renovation	Type B Sales Tax, SAAF Funds and General	15,270,220	3,518,228	11,751,992
Fort Concho Visitor Center	Type B Sales Tax Funds	1,000,000	10,000	990,000
Remediation of Drainage Ave P	Stormwater Capital and General Funds	2,440,000	21,551	2,418,449
Transportation Enhancement Project	Grant/General Capital Funds	5,806,652	-0-	5,806,652
Street Reconstruction	General Fund Debt/Property Tax	16,000,000	890,558	15,109,442
Police Station	General Fund Debt/Property Tax	1,627,699	57,109	1,570,590
Police Communications Upgrade	General Fund Debt/Property Tax	1,500,000	1,099,832	400,168
Public Safety Radio	General Fund Debt/Property Tax	6,000,000	5,077,107	922,893
Fire Training Center	General Fund Debt/Property Tax	4,400,000	2,429,155	1,970,845
Fire Station #4	General Fund Debt/Property Tax	3,200,000	8,250	3,191,750

V.C. Federal Assistance Programs

Amounts received or receivable from grantor agencies are subject to adjustments by the grantor agencies, principally the federal government, upon review of audit reports on those programs. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time.

V.D. Litigation

The City is a defendant in several lawsuits. Lawsuits pending on September 30, 2016 represented no material adverse financial impact to the City. Any potential judgments or awards related to these lawsuits are included in the loss reserves and estimated claims payable from the City's Self-Insurance Funds.

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VI. EMPLOYEE RETIREMENT BENEFITS

The City contributes to a single-employer defined benefit pension plan (San Angelo Firemen's Relief and Retirement Fund), which covers fire department employees. The City also provides a non-traditional hybrid defined benefit plan through the statewide municipal retirement system (Texas Municipal Retirement System) for the remainder of the City's employees. Additionally, the City provides an alternative to Social Security for part-time, seasonal, and temporary employees and a post-employment health benefit plan.

The aggregate net pension liability, deferred inflows, deferred outflows, and pension expense for the plans at September 30, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability	Pension Expense
SFRRF	$ 12,059,112	$ -0-	$ 39,544,318	$ 4,793,25
TMRS	17,634,171	1,011,276	47,119,846	8,113,093
Totals	$ 29,693,283	$ 1,011,276	$ 86,664,166	$ 12,906,345

Reconciliation to government-wide financials:

Governmental	$ 77,546,379
Business-type	9,117,787
	$ 86,664,164

VI.A. Defined Benefit Plan

Plan Description

The Board of Trustees of the San Angelo Firemen's Relief and Retirement Fund is the administrator of the single-employer defined benefit pension plan. This pension fund is a trust fund. The Board acts independently of the governing body of the City. The plan is established under the authority of the Texas Local Firefighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan covers current and former firefighters of the City of San Angelo, as well as certain beneficiaries of former firefighters.

Summary of Significant Accounting Policies

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 plan have been determined on the same basis as they are reported by the plan. Detailed information about the plan's net position is available in the separately issued by the San Angelo Firemen's Relief and Retirement Fund financial report.

Annual reports including required supplementary information can be obtained from the Board of Trustees of the San Angelo Firemen's Relief and Retirement Fund, 72 W. College, San Angelo, Texas 76903.

Benefits Provided

The Plan provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested deferred benefit is available for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of credited service. A reduced early service retirement benefit is available for employees who terminate employment with 20 or more years of service regardless of age. The Plan, effective November 1, 1999, and amended September 1, 2007, provides a monthly normal service retirement benefit, payable in a Joint and 72% to Spouse form of annuity. For firefighters hired before May 1, 1986, the monthly benefit equals 67.5% of the Highest 48-Month Average Salary plus $230 per month for each whole year of service in excess of 20 years with partial credit given based on the number of months completed in excess of whole years. For firefighters hired on or after May 1, 1986, the monthly benefit equals 66% of the Highest 48-Month Average Salary plus $230 per month for each whole year of service in excess of 20 years with partial credit given based on the number of months completed in excess of whole years.

A firefighter has the option to participate in the Optional Retirement Program (ORP) or the Retroactive Deferred Retirement Plan (RETRO DROP) which will provide a lump sum benefit and a monthly retirement benefit upon termination of employment. A Joint and 100% to Surviving Spouse option is also available for normal service retirement, early service retirement, ORP, and RETRO DROP plans instead of the standard Joint and 72% to Surviving Spouse form. Effective January 1, 1997, the Plan was amended to provide automatic post-retirement benefit increases of 1.2% per year deferred to begin at age 61 for firefighters retiring after January 1, 1997. In addition, the Plan has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. An ad hoc postretirement benefit increase to certain retirees as of January 1, 2002, was granted. The benefit provisions of this Plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). The TLFFRA provides the authority and procedure to amend benefit provisions.

Employees Covered by Benefit Terms

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	137
Current Employees:	
Fully Vested	33
Partially Vested	63
Non-Vested	83
Total	316

Contributions

The contribution provisions of the Plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA). The TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City of San Angelo ("City").

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Plan be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the Plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the Plan's unfunded actuarial accrued liability, and the number of years needed to amortize the Plan's unfunded actuarial accrued liability is determined using an open, level percentage of payroll method.

The funding policy of the San Angelo Firemen's Relief and Retirement Fund requires contributions equal to 14.2% of pay by the firefighters and contributions by the City based on a formula, which causes the City's contribution rate to fluctuate from year to year. The December 31, 2015 actuarial valuation assumes that the City's contribution rate will average 20.20% of payroll in the future for firefighters hired on or after May 1, 1986, and average 21.65% of payroll in the future for firefighters hired before May 1, 1986. Contributions to the pension plan from the City were $2,219,315.

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

The City reported $4,793,252 in pension expense for the year ended September 30, 2016. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 3,184,395	$ -0-
Changes of Assumptions	2,017,744	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,180,345	-0-
City Contributions Subsequent to the Measurement Date	1,676,628	-0-
Total	$ 12,059,112	$ -0-

$1,676,628 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2017	$ 2,183,121
2018	2,183,121
2019	2,392,285
2020	2,129,592
2021	902,512
Thereafter	591,853
Total	$ 10,382,484

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3.5%
Salary Increases:	3.5%, average, including inflation
Investment Rate of Return:	7.9% net of pension plan investment expense, including inflation

Mortality rates were based on the RP2000 mortality with Blue Collar adjustment with mortality improvements projected using Scale AA.

Mortality rates were based on the RP2000 mortality with Blue Collar adjustment with mortality improvements projected using Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study as of December 31, 2009. The experience study covered the following periods:

- Historical Census data from 2000-2009
- Investment return experience 2005-2009
- Salary increase experience 2005-2009
- Covered payroll growth experience 1994-2009

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of a bi-annual actuarial study.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		6.00%
Domestic Equity	54.00%	
International Equity	6.00%	
Real Estate	6.00%	4.00%
Fixed Income	32.00%	
Cash	2.00%	0.00%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of December 31, 2015 with a measurement date of December 31, 2015. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of December 31, 2015 and the City's report ending date of September 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	$ 88,072,812	$ 60,730,110	$ 27,342,702
Changes for the Year:			
Service cost	$ 2,002,372	$ -0-	$ 2,002,372
Interest expense	6,772,396	-0-	6,772,396
Differences between expected and actual experience	3,449,652	-0-	3,449,652
Changes of assumptions	2,215,105	-0-	2,215,105
Contributions - City	-0-	2,086,618	(2,086,618)
Contributions - Members	-0-	1,462,906	(1,462,906)
Net investment income	-0-	(1,262,749)	1,262,749
Benefits paid	(4,695,087)	(4,695,087)	-0-
Plan administrative expenses	-0-	(48,866)	48,866
Net Changes	$ 9,744,438	($ 2,457,178)	$ 12,201,616
Balances End of Year	$ 97,817,250	$ 58,272,932	$ 39,544,318

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 7.9%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.9%) or 1-percentage-point higher (8.9%) than the current rate:

	1% Decrease (6.9%)	Current Discount Rate (7.9%)	1% Increase (8.9%)
Employers' Net Pension Liability	$ 51,922,925	$ 39,544,416	$ 29,344,940

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report that can be obtained from the Board of Trustees of the San Angelo Firemen's Relief and Retirement Fund, 72 W. College, San Angelo, Texas 76903.

VI.B. Hybrid Defined Benefit Plan

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' 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.

Benefits Provided

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount. This amount, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be equal to the total monetary credits and employee contributions (accumulated with interest). This is assuming the current employee contribution rate and City matching percent have always been in existence and the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	591
Deferred Vested Former Employees	330
Retirees or Retiree Beneficiaries	717
Total	1,638

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 17.70% and 17.09% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were $5,974,012, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation -	2.5% per year
Overall payroll growth -	2.8% per year
Investment Rate of Return -	6.75%, net of pension plan investment expense, including Inflation
Retirement Age -	Experience based table City specific based on the 2015 experience study

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, which male rates multiplied by 109% and female rates multiplied by 103%. 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 is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy postretirement 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.

After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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.

This rate 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate

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

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Changes in the Net Pension Liability

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	$ 205,596,478	$ 172,419,564	$ 33,176,914
Changes for the Year:			
Service cost	$ 4,877,309	$ -0-	$ 4,877,309
Interest expense	14,190,598	-0-	14,190,598
Changes of assumptions	2,707,629	-0-	2,707,629
Difference between expected and actual experience	253,147	-0-	253,147
Contributions - City	-0-	5,728,465	(5,728,465)
Contributions - Members	-0-	2,265,505	(2,265,505)
Net investment income	-0-	254,398	(254,398)
Benefits paid	(10,624,607)	(10,624,607)	-0-
Plan administrative expenses	-0-	(154,965)	154,965
Other Charges	-0-	(7,654)	7,654
Net Changes	$ 11,404,076	($ 2,538,858)	$ 13,942,934
Balances End of Year	$ 217,000,554	$ 169,880,706	$ 47,119,848

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	$ 76,433,849	$ 47,119,848	$ 23,016,492

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com .

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

For the year ended September 30, 2016, the City recognized pension expense of $8,113,093. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 182,633	$ 717,849
Changes of Assumptions	1,953,415	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,727,798	-0-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	318,584	293,427
City Contributions Subsequent to the Measurement Date	4,451,741	-0-
Total	$ 17,634,171	$ 1,011,276

The $4,451,741 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2017	$ 3,217,442
2018	3,310,127
2019	3,280,589
2020	2,362,996
	$ 12,171,154

VI.C. Other Post-Retirement Benefits

Plan Description

In addition to the pension benefits discussed above, the City of San Angelo offers its retirees and their dependents medical and prescription drug coverage for life. The pre-65 retirees can choose from among the three actives plans – the high, medium, or low plan. The post-65 retirees are offered a fully insured Medicare supplement plan with Hartford. The plan was frozen as of January 1, 2000 and only employees hired before then are allowed to participate in the plan and receive the City's subsidy. Thus, the group is closed at this time, and the liability will eventually decrease to zero. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

For the pre-65 retirees, in theory, contributions are such that the City subsidizes the same amount toward coverage regardless of the tier or plan the retiree has chosen. In practice, however, the dependents are actuarially more costly than assumed. Consequently, though the intent of the City is that the dependents pay their full cost, in reality, some of that cost is subsidized by the City and thus generates a liability. This is not true with the post-65 retirees. Their cost is priced appropriately so the dependents do pay full cost, are not subsidized and therefore, there is no GASB liability for them.

Funding Policy

The plan premium rates are determined annually in collaboration with an outside employee benefits actuarial and consulting firm, and are approved by the San Angelo City Council. By providing retirees with access to the City's healthcare plans, based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year.

Beginning with the fiscal year ending September 30, 2009, the City of San Angelo is required to account for their retiree medical plan using the Governmental Standards Accounting Board Statement Number 45 (GASB 45). Whereas before, these benefits were accounted for on a "pay-as-you-go" basis, now they must be accrued not when they are paid but when they are earned, i.e. during active service. Thus, during each year of active service, a piece of the present value of the future retirement benefit must be accrued so that when the employee reaches retirement age, the benefit is fully accrued.

The key actuarial results are as follows:

Actuarial Present Value of Benefits	$	89,871,575
Actuarial Accrued Liability		90,306,037
Annual Required Contribution		4,988,341
Net OPEB Obligation		17,988,918

The actuarial present value of benefits is the total cost of the program in today's dollars. The accrued liability is the piece of the present value of benefits that is allocated to prior service. It is the liability that would have been recognized had the City been accounting on a GASB 45 basis all along. That amount is being amortized over time. The annual required contribution (ARC) is the amount the City needs to accrue for the year to cover both the following year of benefit accrual (the normal cost) and the amortization of the accrued liability. The expected net benefits are the projection of medical claims and expenses net of retiree contributions expected during the year. Finally, the net OPEB obligation is the difference between the ARC and the expected benefits. It is the piece of the cumulative ARCs that has gone unfunded.

The following table shows the three components of the annual required contribution. The first component is the normal cost. This represents the accrual for the benefits that will be earned by the employees in the coming year.

The supplemental cost or unrecognized liability has two components: the initial liability when GASB 45 was first implemented and the gain/loss. The initial liability is the amount that should have been accrued to date by the City when GASB 45 was first adopted. Instead of requiring immediate recognition of this liability, GASB 45 allowed a "catch-up" amortization of this amount over several years.

A gain/loss occurs when the actual experience differs from the expected experience either from a change in the experience or a change in the assumptions, method, or plan provisions. In this case, the actual experience produced a liability that was greater than the expected liability thus producing an actuarial loss.

The third component of the ARC is the amortization of the net obligation. If the employer does not fully fund the ARC, there is an outstanding obligation at the end of the year. That obligation gets amortized over time, and the amortization then becomes a component of the ARC in the following year.

	Year Ended September 30, 2016	
Normal Cost Component		
Normal Cost	$	425,264
Amortization of Net OPEB Obligation		
Amortization		4,563,077
Annual Required Contribution	$	4,988,341

Annual OPEB Costs and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended September 30, 2016:

Net OPEB Obligation		Year Ended September 30, 2016
Annual Required Contribution	$	4,988,341
Interest on Net OPEB Obligation		712,796
Adjustment to ARC	(	646,074)
Annual OPEB Cost	$	5,055,063
Employer Contribution	(	2,906,050)
Increase in Net OPEB Obligation	$	2,149,013
Net Obligation (Beginning of Year)		15,839,905
Net Obligation (Ending of Year)	$	17,988,918

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net unfunded OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
September 30, 2014	$5,431,659	$2,850,861	52.5%	$13,741,743
September 30, 2015	$5,266,428	$3,168,267	60.2%	$15,839,905
September 30, 2016	$5,055,063	$2,906,050	57.5%	$17,988,918

Funded Status

The following table shows what percent of the liability is funded and what percent of the covered payroll the unfunded liability represents. Since there is no additional funding required, there are no assets, and consequently, the funded ratio is 0%.

Actuarial Valuation Date		September 30, 2015
Actuarial Accrued Liability (AAL)	$	88,835,475
Actuarial Value of Assets		-0-
Unfunded Actuarial Accrued Liability (UAAL)	$	88,835,475
Funded Ratio		0.0%
Estimated Covered Payroll	$	42,793,514
UAAL as a Percentage of Payroll		207.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial valuations are performed on a bi-annual basis. Significant methods and assumptions used for this fiscal year's valuation are as follows:

Actuarial Methods:

Actuarial Valuation Date	September 30, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Amortization Period	30 Years (Open)
Asset Valuation Method	5 Year Smoothed Market

Actuarial Assumptions:

Discount rate	4.5%
Projected Salary Increases	3.0%
Healthcare Cost Trend Rate	10.0%
No inflation rate provided by actuary.	

VI.D. Part-Time, Seasonal, and Temporary Employees Alternatives to Social Security

Starting May 1, 2007, employees not eligible to participate in TMRS began participating in an alternative to Social Security. Under the Part-Time Alternative Retirement System (PARS), City part-time staff no longer contribute 6.2% of their salary to Social Security. Rather, they contribute 6.2% of their salary into PARS. The City contributes 1.3% of the employee's salary to that same PARS. The employee's PARS deduction is pre-tax and the contributions are kept in a trust that can either be paid out (with tax penalty) when the employee's employment with the City ends, or rolled into an individual retirement account (IRA). The City's contributions to the PARS accounts in the current year were $9,974.

VII. NEW PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - GASB No. 74 was issued in June 2015, and replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City has not yet determined the impact that implementation of GASB 74 will have on its net position.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position, although it may be material.

GASB Statement No. 77, Tax Abatement Disclosures - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans – GASB 78 was issued in December 2015 and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants – GASB 79 was issued December 2015 and addresses the accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. This statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the City is unknown.

GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 – GASB 80 was issued January 2016 and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the City is unknown.

GASB Statement No. 81, Irrevocable Split-Interest Agreements – GASB 81 was issued in March 2016 and addresses the accounting and financial reporting for irrevocable split-interest agreements by provided recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. At this time, the impact to the City is unknown.

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73 – GASB 82 was issued in March 2016 and addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. At this time, the impact to the City is unknown.

GASB Statement No. 83, Certain Asset Retirement Obligations – GASB 83 was issued in November 2016 and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. Additionally, this Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. It also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. At this time, the impact to the City is unknown.

VIII. SUBSEQUENT EVENTS

The following event occurred after the fiscal year end and is disclosed for reporting purposes:

- In a Special Meeting on November 7, 2016, the City Council authorized the City Manager to negotiate and execute all documents necessary for the purchase of the Ford Ranch, located in McCulloch County, and on which the Hickory Well Field is located, at a price not to exceed $1,350 per acre, including 25% on minerals owned by the seller. Negotiations are still in process, and the City expects to issue a revenue bond to make the acquisition.

- In May 2016, the City of San Angelo reached a settlement with Martifer-Hirschfeld Energy Systems (MHES). The amount, which was a repayment of incentives paid to MHES, and allocated between the City and COSADC, was $1.4M and was received in fiscal year 2017. Those incentives were paid as part of a contractual commitment to invest in and create jobs at a renewable energy plant in San Angelo. The settlement agreement resulted in the company maintaining its current workforce and tax rebate if it creates more jobs and invests $1 million in its steel bridge fabrication plant in the City.

<u>APPENDIX C</u>

FORM OF BOND COUNSEL'S OPINION

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

CITY OF SAN ANGELO, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018
DATED MARCH 1, 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF $16,500,000

AS BOND COUNSEL FOR THE CITY OF SAN ANGELO, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. 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 of Obligation (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 of Obligation, including one of the executed Certificates of Obligation (Certificate of Obligation Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates of Obligation have been duly authorized, issued, and delivered in accordance with law, and that the Certificates of Obligation, except as may be limited by laws applicable to the Issuer relating to principles of governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity 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 of Obligation have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates of Obligation are additionally secured by and payable from a limited pledge of 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 of Obligation 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 of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate 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 of Obligation 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 of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

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 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.

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.

Respectfully,

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Specialized Public Finance Inc.
FINANCIAL ADVISORY SERVICES