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

OFFICIAL STATEMENT

Dated: November 7, 2019

NEW ISSUE - Book-Entry-Only

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

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

$7,315,000
CITY OF ABILENE, TEXAS
(Taylor and Jones Counties)
GENERAL OBLIGATION BONDS, SERIES 2019

Dated Date: December 1, 2019 **Due: February 15, as shown on page 2**
(Interest accrues from the delivery date.)

PAYMENT TERMS…Interest on the $7,315,000 City of Abilene, Texas, General Obligation Bonds, Series 2019 (the "Bonds") will accrue from the date of initial delivery to the underwriters named below (the "Underwriters") and will be payable February 15 and August 15 of each year commencing February 15, 2021, until maturity or prior redemption. Interest on the definitive Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

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

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

CUSIP PREFIX[(1)]: 00344N - MATURITY SCHEDULE & 9 Digit CUSIP - SEE SCHEDULE ON PAGE 2

SEPARATE ISSUES… The Bonds are being offered by the City concurrently with the "City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019" (the "Certificates") under a common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY…It is expected that the Bonds will be available for delivery through the facilities of DTC on December 10, 2019.

SAMCO CAPITAL MARKETS, INC.

RBC CAPITAL MARKETS **FROST BANK**

MATURITY SCHEDULE

CUSIP [1] Prefix: 00344N

$7,315,000 GENERAL OBLIGATION BONDS, SERIES 2019

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]	Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2021	$ 25,000	5.000%	1.290%	00344NVJ0	2031	$ 380,000	4.000%	2.140% [2]	00344NVU5
2022	245,000	5.000%	1.340%	00344NVK7	2032	395,000	4.000%	2.230% [2]	00344NVV3
2023	260,000	5.000%	1.380%	00344NVL5	2033	410,000	4.000%	2.320% [2]	00344NVW1
2024	270,000	5.000%	1.430%	00344NVM3	2034	430,000	4.000%	2.390% [2]	00344NVX9
2025	285,000	5.000%	1.490%	00344NVN1	2035	445,000	4.000%	2.420% [2]	00344NVY7
2026	300,000	5.000%	1.610%	00344NVP6	2036	465,000	4.000%	2.460% [2]	00344NVZ4
2027	315,000	5.000%	1.710%	00344NVQ4	2037	480,000	4.000%	2.500% [2]	00344NWA8
2028	335,000	5.000%	1.810%	00344NVR2	2038	505,000	4.000%	2.540% [2]	00344NWB6
2029	345,000	5.000%	1.910%	00344NVS0	2039	520,000	4.000%	2.570% [2]	00344NWC4
2030	365,000	4.000%	2.020% [2]	00344NVT8	2040	540,000	4.000%	2.600% [2]	00344NWD2

(Interest to accrue from the date of delivery)

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

(2) Yield calculated based on the assumption that the Bonds will be called on the first optional call date, February 15, 2029, at par.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

OFFICIAL STATEMENT

Dated: November 7, 2019

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

NEW ISSUE - Book-Entry-Only

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

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

$23,930,000
CITY OF ABILENE, TEXAS
(Taylor and Jones Counties)
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: December 1, 2019 **Due: February 15, as shown on page 4**
(Interest accrues from the delivery date.)

PAYMENT TERMS…Interest on the $23,930,000 City of Abilene, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 (the "Certificates") will accrue from the date of initial delivery to the underwriters named below (the "Underwriters") and will be payable February 15 and August 15 of each year commencing February 15, 2021, until maturity or prior redemption. Interest on the definitive Certificates 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 New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the 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 OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Certificates is U.S. Bank National Association, Dallas, Texas (see "THE OBLIGATIONS - 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, and Chapter 1502, Texas Government Code, as amended, and constitute direct obligations of the City of Abilene, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance") (see "THE OBLIGATIONS-Authority for Issuance of the Certificates").

PURPOSE…Proceeds from the sale of the Certificates will be used for the public purpose of (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including water treatment improvements, distribution lines, lift and pump stations, sewer and manhole rehabilitation, control system improvements, engineering fees and acquisition of easements and equipment for water treatment improvements and transmission lines; (ii) radio equipment and microwave communications infrastructure, (iii) acquiring, constructing, installing and equipping energy efficiency equipment including HVAC and chiller replacements, LED lighting, low flow water valves and electrical infrastructure and mechanical retrofits in City owned buildings, and (iv) costs associated with the issuance of the Certificates. (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX(1): 00344N - MATURITY SCHEDULE & 9 Digit CUSIP - SEE SCHEDULE ON PAGE 4

SEPARATE ISSUES…The Certificates are being offered by the City concurrently with the "City of Abilene, Texas, General Obligation Bonds, Series 2019" (the "Bonds") under a common Official Statement, and such Certificates. The Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

DELIVERY…It is expected that the Certificates will be available for delivery through the facilities of DTC on December 10, 2019.

SAMCO CAPITAL MARKETS, INC.

RBC CAPITAL MARKETS **FROST BANK**

MATURITY SCHEDULE

CUSIP Prefix: 00344N[1]

$23,930,000 COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]	Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2021	$ 175,000	5.000%	1.290%	00344NWE0	2031	$ 1,130,000	4.000%	2.140% [2]	00344NWQ3
2022	920,000	5.000%	1.340%	00344NWF7	2032	1,175,000	4.000%	2.230% [2]	00344NWR1
2023	965,000	5.000%	1.380%	00344NWG5	2033	1,220,000	4.000%	2.320% [2]	00344NWS9
2024	1,015,000	5.000%	1.430%	00344NWH3	2034	1,270,000	4.000%	2.390% [2]	00344NWT7
2025	1,065,000	5.000%	1.490%	00344NWJ9	2035	1,320,000	4.000%	2.420% [2]	00344NWU4
2026	1,115,000	5.000%	1.610%	00344NWK6	2036	1,380,000	4.000%	2.460% [2]	00344NWV2
2027	1,180,000	5.000%	1.710%	00344NWL4	2037	1,435,000	4.000%	2.500% [2]	00344NWW0
2028	1,240,000	5.000%	1.810%	00344NWM2	2038	1,495,000	4.000%	2.540% [2]	00344NWX8
2029	1,305,000	5.000%	1.910%	00344NWN0	2039	1,555,000	4.000%	2.570% [2]	00344NWY6
2030	1,355,000	4.000%	2.020% [2]	00344NWP5	2040	1,615,000	4.000%	2.600% [2]	00344NWZ3

(Interest to accrue from the date of delivery)

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

(2) Yield calculated based on the assumption that the Certificates will be called on the first optional call date, February 15, 2029, at par.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS - Optional Redemption”).

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

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

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

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Abilene (the "City") is a political subdivision and municipal corporation of the State located in Taylor and Jones Counties. The City covers approximately 109.92 square miles. The 2010 U.S. Census population was 117,063, while the estimated 2019 population is 124,557 (see "INTRODUCTION - Description of the City" and "Appendix A – General Information Regarding the City").

THE OBLIGATIONS....................... The Obligations are issued as $7,315,000 General Obligation Bonds, Series 2019 (the "Bonds"), and $23,930,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 (the "Certificates"). The Bonds and the Certificates are referred to collectively herein as the "Obligations". The Bonds mature on February 15 in the years 2021 through 2040. The Certificates mature on February 15 in the years 2021 through 2040 (see "THE OBLIGATIONS -Description of the Obligations"). The Obligations are being offered concurrently under a common Official Statement.

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the date of initial delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and is payable initially on February 15, 2021 and each August 15 and February 15 thereafter, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS - Optional Redemption").

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

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

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

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

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

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

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

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

Proceeds from the sale of the Certificates will be used for the public purpose of (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including water treatment improvements, distribution lines, lift and pump stations, sewer and manhole rehabilitation, control system improvements, engineering fees and acquisition of easements and equipment for water treatment improvements and transmission lines; (ii) radio equipment and microwave communications infrastructure, (iii) acquiring, constructing, installing and equipping energy efficiency equipment including HVAC and chiller replacements, LED lighting, low flow water valves and electrical infrastructure and mechanical retrofits in City owned buildings, and (iv) costs associated with the issuance of the Certificates.

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Debt[(3)]	Per Capita G.O. Debt	Ratio G.O. Debt to Taxable Assessed Valuation	% of Total Tax Collections
2016	120,958	$ 5,655,710,437	$ 46,758	$ 297,915,000	$ 2,463	5.27%	99.52%
2017	121,407	5,861,417,197	48,279	313,900,000	2,586	5.36%	99.48%
2018	122,225	6,103,008,932	49,933	332,515,000	2,721	5.45%	99.50%
2019	124,557	6,366,829,253	51,116	316,055,000	2,537	4.96%	99.72% (5)
2020	124,557	6,674,326,141	53,585	330,635,000 (4)	2,654 (4)	4.95% (4)	N/A

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

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2019[1]	2018	2017	2016	2015
Fund Balance at					
Beginning of Year	$ 28,228,036	$ 26,931,528	$ 26,458,762	$ 26,890,838	$ 25,902,661
Total Revenue	97,941,968	94,410,912	86,766,792	82,490,878	81,194,980
Total Expenditures	89,825,009	86,557,678	84,183,987	81,777,971	78,411,524
Other Financing Sources (Uses) [2]	(6,582,876)	(6,556,726)	(2,110,039)	(1,144,983)	(1,795,279)
Fund Balance at					
End of Year	$ 29,762,119	$ 28,228,036	$ 26,931,528	$ 26,458,762	$ 26,890,838

(1) Unaudited.
(2) The City funded its CIP program with cash in the General Fund.

For additional information regarding the City, please contact:

Mike Rains
Director of Finance
City of Abilene
P.O. Box 60
Abilene, Texas 79604-0060
(325) 676-6324

or

George Williford
Regional Managing Director
Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 953-8705

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Anthony Williams Mayor	2 Years	May, 2020	Chief Business Services Officer, Abilene Christian University
Shane Price Councilmember (Place 1)	10 Years	May, 2021	Vice President of Development, Bookstore Manager
Jack Rentz Councilmember (Place 2)	1 Year	May, 2021	Business Owner, Rentech Boiler Services
Donna Albus Councilmember (Place 3)	1 Year	May, 2020	Retiree
Weldon W. Hurt Councilmember (Place 4)	1 Year	May, 2020	Business Owner, West Texas Pest Patrol
Kyle McAlister Councilmember (Place 5)	5 Years	May, 2022	Independent Insurance Agent
Dr. Travis Craver Councilmember (Place 6)	Newly Elected	May, 2022	Director of Chapel and Spiritual Formation, Hardin-Simmons University

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Robert Hanna	City Manager	4 Years
Mindy Patterson	Deputy City Manager	27 Years
Michael Rice	Assistant City Manager	4 Years
Shawna Atkinson	City Secretary	Newly Appointed
Stanley Smith	City Attorney	12 Years
Tammy Roberts	Animal Services Director	Newly Appointed
Lesli Andrews	Director of Community Services	15 Years
Mike Rains	Director of Finance	11 Years
Brenda Alexander	Director of Human Resources	3 Years
Michael Warrix	Director of Planning and Development	Newly Appointed
Greg McCaffery	Director of Public Works	Newly Appointed
Don Green	Director of Transportation Services	15 Years
Rodney Taylor	Director of Water Utilities	17 Years
Annette Lerma	Health Services Director	18 Years
Tommy O'Brien	Executive Director of Water Utilities	15 Years
Stan Standridge	Chief of Police	24 Years
Cande Flores	Fire Chief	27 Years

CONSULTANTS AND ADVISORS

Auditors .... BKD LLP

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

Financial Advisor.. Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

CITY OF ABILENE, TEXAS

$7,315,000 **GENERAL OBLIGATION BONDS, SERIES 2019**	**$23,930,000** **COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $7,315,000 City of Abilene, Texas, General Obligation Bonds, Series 2019 (the "Bonds"), and $23,930,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 (the "Certificates"). The Bonds and the Certificates are referred to collectively herein as the "Obligations". Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinances (hereinafter defined) adopted on the date of sale of each respective series of the Obligations which will authorize the issuance of the Obligations, except as otherwise indicated herein.

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

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1883, and first adopted its Home Rule Charter in 1962. The City operates under the Council/Manager form of government where the mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, airport, sanitation services, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 U. S. Census population for the City was 117,063, while the estimated 2019 population is 124,557. The City covers approximately 109.92 square miles (see "Appendix A – General Information Regarding the City").

PLAN OF FINANCING

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

Proceeds from the sale of the Certificates will be used for the public purpose of (i) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including water treatment improvements, distribution lines, lift and pump stations, sewer and manhole rehabilitation, control system improvements, engineering fees and acquisition of easements and equipment for water treatment improvements and transmission lines; (ii) radio equipment and microwave communications infrastructure, (iii) acquiring, constructing, installing and equipping energy efficiency equipment including HVAC and chiller replacements, LED lighting, low flow water valves and electrical infrastructure and mechanical retrofits in City owned buildings, and (iv) costs associated with the issuance of the Certificates.

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

Sources of Funds		
Par Amount of the Bonds	$	7,315,000.00
Reoffering Premium		1,084,404.80
Total Sources of Funds	$	8,399,404.80
Uses of Funds		
Deposit to Project/Construction Fund	$	8,283,000.00
Deposit to Debt Service Fund		3,660.15
Underwriters' Discount and Costs of Issuance		112,744.65
Total Uses of Funds	$	8,399,404.80

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

Sources of Funds		
Par Amount of the Certificates	$	23,930,000.00
Reoffering Premium		3,608,389.25
Total Sources of Funds	$	27,538,389.25
Uses of Funds		
Deposit to Project/Construction Fund	$	27,280,000.00
Deposit to Debt Service Fund		631.41
Underwriters' Discount and Costs of Issuance		257,757.84
Total Uses of Funds	$	27,538,389.25

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS... The Obligations are dated December 1, 2019 and mature on February 15 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2021 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

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

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

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

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

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate. The City's 2019/2020 tax rate is $0.7877 of which $0.1808 is for debt service purposes.

OPTIONAL REDEMPTION... The City reserves the right, at its option, to redeem Obligations of any series having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of such series of Obligations to be redeemed. If less than all the Obligations of any maturity of any series are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for each series of Obligations is U.S. Bank National Association, Dallas, Texas. In each Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

Record Date for Interest Payment... The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

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

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

Obligationholders' Remedies . . . The respective Ordinances establish specific events of default with respect to the Certificates and the Bonds, respectively. If the City defaults in the payment of the principal of or interest on the Certificates or the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates or the Bonds, as applicable, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the respective Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Bonds, as applicable, or the respective Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates or the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Certificates or the Bonds upon any failure of the City to perform in accordance with the terms of the respective Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interests LTD. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with Wasson I, "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court ruled in Tooke v. City of Mexia (197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in clear and unambiguous language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates or the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Certificates or the Bonds or in the Ordinances. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but the City is not using Chapter 1371 as legal authority in connection with the issuance of the Obligations and the City has not waived sovereign immunity pursuant to Chapter 1371. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates or the Bonds.

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

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

TAX INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

2019 Legislative Session. . . The 86th Legislative Session convened on January 8, 2019 and adjourned on May 27, 2019. Legislation that changes current laws affecting ad valorem tax matters including calculation of the rollback tax rate and rollback election process for maintenance tax increases, was adopted on May 27, 2019 and signed by the Texas Governor on June 12, 2019. This legislation will impact the City's future budgeting and the levy and collection of ad valorem taxes for maintenance and operations purposes. At this time, the City has not undertaken a comprehensive review of this legislation to determine the extent of this impact on its maintenance and operations budget. The City does not anticipate that this legislation will impact it ability to levy and collect ad valorem taxes for debt service purposes.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE... The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.
“effective tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“rollback tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.08, plus the debt service tax rate.

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” mean the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

For the 2019 tax year, the procedures in this paragraph apply. After the assessor submits the appraisal roll, a designated officer or employee of the City is required to calculate its “rollback tax rate” and “effective tax rate”. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, and may not adopt a tax rate that exceeds the lower of its “rollback tax rate” or “effective tax rate” (as such terms are defined above) until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The Property Tax Code provides that if the adopted tax rate exceeds the rollback tax rate, qualified voters of the city, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the effective tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms “voter-approval tax rate” and “no-new-revenue tax rate”. Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

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

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

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

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

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

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

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

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

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

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

The City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older, as approved by the City's voters at an election held on November 7, 2006. The tax freeze, which applies to property that accounts for approximately 1.6% of the City's property tax revenue, may impact future property tax rates for the City. City administration does not believe that the implementation of the tax freeze will have a material adverse financial impact on the City for the September 30, 2020 fiscal year; however, City staff expects to continue to monitor the potential impact of the tax freeze on the City's financial condition.

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

The City does tax freeport property.

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

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

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

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

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

TAX INCREMENT FINANCING ZONES... Reinvestment Zone Number One, City of Abilene ("Zone One") was created in 1982 by the City with the consent of other taxing units overlapping Zone One. Comprising approximately 235 acres, Zone One includes the central business district. Ad valorem taxes on incremental growth in real property values within Zone One (levied at the tax rates of each taxing unit assessing an ad valorem tax on real property in Zone One) from a base value of January 1, 1983, are used to pay costs of development of Zone One; these tax funds can be used only for public improvements in Zone One or for payment of debt service on bonds issued to provide funds for public improvements located within Zone One. Zone One was terminated January 1, 2008. Approximately $602,000 of tax funds derived from incremental values in Zone One remain and such funds have been and are being used for public improvements in Zone One; Zone One has no bonded debt.

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

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

Reinvestment Zone Number Two, City of Abilene ("Zone Two") was created on December 5, 2013 by the City. Comprising approximately 1,594 acres, Zone Two includes the Pine Street and Ambler Avenue corridors, all within the City's corporate limits. Ad valorem taxes on incremental growth in real property values within Zone Two (levied at the tax rate of the City on real property in Zone Two) from a base value of January 1, 2013 of approximately $116.4 million, are used to pay costs of development of Zone

Two; these tax funds can be used only for public improvements in Zone Two or for payment of debt service on bonds issued to provide funds for public improvements located within Zone Two. Zone Two has no bonded debt.

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

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2019/20 Market Valuation Established by the Appraisal District (excluding totally exempt property)		$ 7,421,601,206
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Local Option)	$ 426,902,302	
Residence Homestead Exemptions (Over 65 and Disabled)	139,371,269	
Residential Homestead Value Lost on 10% Cap	9,868,885	
Productivity Loss	54,542,611	
Disabled Veterans Exemptions	110,307,524	
Pollution Control Value Lost	2,214,387	
Historic Tax Exemptions	4,068,087	(747,275,065) (1)
2019/20 Taxable Assessed Valuation		$ 6,674,326,141
City Funded Debt Payable from Ad Valorem Taxes as of October 15, 2019		
Outstanding General Obligation Debt	$ 316,055,000	
The Bonds	7,315,000	
The Certificates	23,930,000	
		$ 347,300,000
Less: Self-Supporting Debt		
Waterworks and Sewer System General Obligation Debt (2) (4)	226,340,000	
Airport General Obligation Debt (3)(4)	1,310,000	
General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 119,650,000
Ratio Funded Debt to Taxable Assessed Valuation		5.20%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		1.79%

2019 Estimated Population - 124,557
Per Capita 2019/20 Taxable Assessed Valuation - $ 53,585
Per Capita Funded Debt Payable from Ad Valorem Taxes - $2,788
Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - $961

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(1) In addition to the exemptions described, the City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older. See "TAX INFORMATION – City Application of Tax Code."

(2) "Waterworks and Sewer System (the "System") General Obligation Debt" consists of a portion of outstanding General Obligation Refunding Bonds, Series 2011, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2012, a portion of the General Obligation Refunding Bonds, Series 2013, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015, a portion of the General Obligation Refunding and Improvement Bonds, Series 2015, a portion of the General Obligation Refunding and Improvement Bonds, Series 2016, a portion of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017, a portion of the General Obligation Refunding Bonds, Series 2017, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018 and a portion of the Certificates. The City provides for debt service on these issues from surplus Net Revenues of the System. The City has no outstanding Waterworks and Sewer System Revenue Bonds but has obligated revenues of the System under Water Supply Contracts. See Note 8, "Long-Term Obligations and Amounts Due within One Year" in the Notes to Financial Statements for the Fiscal year Ended September 30, 2018, in "APPENDIX B – EXCERPTS FROM THE CITY OF ABILENE, TEXAS ANNUAL FINANCIAL REPORT" for additional information concerning such Water Supply Contracts.

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

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

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year September 30,					
	2020		2019		2018	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 4,040,649,789	54.44%	$3,825,140,077	54.05%	$3,631,508,070	53.70%
Real, Residential, Multi-Family	413,891,102	5.58%	388,679,603	5.49%	380,702,506	5.63%
Real, Vacant Lots/Tracts	79,680,962	1.07%	70,438,459	1.00%	69,535,641	1.03%
Real, Acreage (Land Only)	56,834,499	0.77%	55,764,233	0.79%	52,368,833	0.77%
Real, Farm and Ranch Improvements	41,863,053	0.56%	35,474,356	0.50%	35,120,103	0.52%
Real, Commercial and Industrial	1,637,127,780	22.06%	1,595,585,682	22.55%	1,531,887,031	22.65%
Real, Oil, Gas and Other Minerals	15,098,604	0.20%	9,505,034	0.13%	7,968,226	0.12%
Real and Tangible Personal, Utilities	198,203,957	2.67%	184,762,925	2.61%	156,588,392	2.32%
Tangible Personal, Commercial and Industrial	872,225,908	11.75%	849,758,355	12.01%	839,499,080	12.41%
Tangible Personal, Other	9,272,427	0.12%	9,702,639	0.14%	9,809,202	0.15%
Real Property, Inventory[(1)]	6,299,324	0.08%	6,877,085	0.10%	4,291,719	0.06%
Special Inventory	50,453,801	0.68%	45,189,521	0.64%	43,618,923	0.64%
Total Appraised Value Before Exemptions	$ 7,421,601,206	100.00%	$7,076,877,969	100.00%	$6,762,897,726	100.00%
Less: Total Exemptions/Reductions[(2)]	(747,275,065)		(710,069,178)		(673,540,962)	
Taxable Assessed Value at 10/01	$ 6,674,326,141		$6,366,808,791		$6,089,356,764	
Adjustments for Errors and Corrections to Roll	-		20,462		13,652,168	
Taxable Assessed Value	$ 6,674,326,141		$6,366,829,253		$6,103,008,932	

	Taxable Appraised Value for Fiscal Year September 30,			
	2017		2016	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,444,955,619	53.22%	$3,306,092,698	52.96%
Real, Residential, Multi-Family	365,349,731	5.64%	347,421,030	5.57%
Real, Vacant Lots/Tracts	66,758,950	1.03%	70,207,363	1.12%
Real, Acreage (Land Only)	50,508,087	0.78%	48,005,998	0.77%
Real, Farm and Ranch Improvements	34,517,734	0.53%	33,776,939	0.54%
Real, Commercial and Industrial	1,442,262,544	22.28%	1,379,919,499	22.10%
Real, Oil, Gas and Other Minerals	7,431,467	0.11%	12,836,197	0.21%
Real and Tangible Personal, Utilities	142,255,219	2.20%	142,372,234	2.28%
Tangible Personal, Commercial and Industrial	856,364,968	13.23%	838,529,508	13.43%
Tangible Personal, Other	9,680,723	0.15%	9,172,935	0.15%
Real Property, Inventory[(1)]	6,031,331	0.09%	4,074,336	0.07%
Special Inventory	47,488,330	0.73%	50,499,631	0.81%
Total Appraised Value Before Exemptions	$ 6,473,604,703	100.00%	$6,242,908,368	100.00%
Less: Total Exemptions/Reductions	(645,060,758)		(619,231,782)	
Taxable Assessed Value at 10/01	$ 5,828,543,945		$5,623,676,586	
Adjustments to Errors and Corrections to Roll	32,873,252		32,033,851	
Taxable Assessed Value at 9/30	$ 5,861,417,197		$5,655,710,437	

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

(1) Real properties inventories in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

(2) In addition to the exemptions described, the City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older. See "TAX INFORMATION – City Application of Tax Code."

TABLE 3A - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population(1)	Taxable Assessed Valuation(2)	Taxable Assessed Valuation Per Capita	General Obligation Debt Outstanding (3)	Ratio General Obligation Debt to Taxable Assessed Valuation	General Obligation Debt Per Capita
2016	120,958	$ 5,655,710,437	$ 46,758	$ 297,915,000	5.27%	$ 2,463
2017	121,407	5,861,417,197	48,279	313,900,000	5.36%	2,586
2018	122,225	6,103,008,932	49,933	332,515,000	5.45%	2,721
2019	124,557	6,366,829,253	51,116	316,055,000	4.96%	2,537
2020	124,557	6,674,326,141	53,585	330,635,000 (4)	4.95% (4)	2,654 (4)

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

TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT

Fiscal Year Ended 9/30	General Obligation Debt Outstanding	Less: Self-Supporting Waterworks and Sewer System General Obligation Debt	Less: Airport General Obligation Debt	General Purpose Funded Tax Debt
2016	$ 297,915,000	$ 207,730,000	$ 2,435,000	$ 87,750,000
2017	313,900,000	210,645,000	2,080,000	101,175,000
2018	332,515,000	202,675,000	1,705,000	128,135,000
2019	316,055,000	194,785,000	1,310,000	119,960,000
2020	330,635,000 (1)	217,425,000 (1)	895,000	112,315,000 (1)

(1) Includes the Obligations.

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
2016	$ 0.7140	$ 0.5306	$ 0.1834	$ 39,572,135	98.73%	99.52%
2017	0.7465	0.5448	0.2017	42,686,671	98.78%	99.48%
2018	0.7751	0.5648	0.2103	46,053,774	98.78%	99.50%
2019	0.7722	0.5648	0.2074	47,181,461	98.86%	99.72% (1)
2020	0.7877	0.6069	0.1808	51,522,194	In process of collection	

(1) Partial year collections as of August 31, 2019.
(2) Tax Levy presented considers the estimated impact of the "Over 65 and Disabled Homeowners" tax freeze. See "Tax Information – City Application of Tax Code" herein.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2020 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
AEP Texas Inc.	Electric Transmission & Distribution	$ 108,172,810	1.62%
Electric Transmission of Texas	Electric Transmission & Distribution	59,300,810	0.89%
Coca-Cola Refreshments USA Inc.	Beverage Distributor	45,355,349	0.68%
Partners Mall Abilene LLC	Mall	44,837,000	0.67%
Fehr Food Inc.	Food Service Distributor	39,665,316	0.59%
Lone Star Transmission	Electric Transmission & Distribution	34,853,800	0.52%
Atmos Energy/Mid-Tex Division	Gas Distribution	30,040,079	0.45%
Permian Express Partners	Oil & Gas	28,975,390	0.43%
Lowes Home Centers Inc.	Retail	24,825,991	0.37%
Cebridge Acquisitions	Communications	24,469,802	0.37%
		$ 440,496,347	6.60%

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

TABLE 6 - TAX ADEQUACY

Maximum Principal and Interest Requirements, All General Obligation Debt, 2021 (1).............	$	30,912,411
$.4775 Tax Rate at 97% Collection Produces	$	30,913,810
Maximum Principal and Interest Requirements, General Funded Purpose Debt, 2021 (2)..........	$	12,254,733
$.1893 Tax Rate at 97% Collection Produces	$	12,255,464

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

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2019/20 Taxable Assessed Value [(1)]	2019/20 Tax Rate [(1)]	Total Tax Debt As of 10/15/2019	Estimated % Applicable	City's Overlapping Tax Debt As of 10/15/2019	Authorized But Unissued Debt As of As of 10/15/2019
City of Abilene	$ 6,674,326,141	$ 0.7877	$ 347,300,000 [(2)]	100.00%	$ 347,300,000 [(2)]	$ 8,283,000 [(3)]
Abilene Independent School District	4,472,743,747	1.3214	231,307,883	97.95%	226,566,071	-
Clyde Cons. Independent School District	539,726,356	1.0600	22,235,000	0.40%	88,940	-
Eula Independent School District	258,953,281	1.2583	4,611,800	27.65%	1,275,163	-
Hawley Independent School District	152,894,070	1.2784	5,615,000	1.19%	66,819	-
Jones County	835,669,392	0.6748	55,555,000	4.73%	2,627,752	6,900,000
Merkel Independent School District	435,477,951	1.1855	11,095,000	0.54%	59,913	-
Taylor County	9,161,299,968	0.5609	49,015,000	80.45%	39,432,568	-
Wylie Independent School District	1,948,911,499	1.2098	54,080,000	65.42%	35,379,136	-

Total Direct and Overlapping Tax Debt	$ 652,796,361
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation	9.78%
Per Capita Overlapping Tax Debt	$ 5,240.94

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(1) Source: Municipal Advisory Council of Texas.
(2) Includes self-supporting General Obligation Debt (see "Table 1 – Valuation, Exemptions and General Obligation Debt").
(3) Upon issuance of the Bonds, the City will have no authorized but unissued debt outstanding.

If the City's General Purpose Funded Debt of $119,650,000 is included in the calculation in place of Total Tax Debt of $347,300,000, the following results:

Total Direct and Overlapping Tax Debt	$ 423,331,361
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation	6.34%
Per Capita Overlapping Tax Debt	$ 3,399

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt(1) Principal	Outstanding Debt(1) Interest	Outstanding Debt(1) Total	The Bonds (2) Principal	The Bonds (2) Interest	The Certificates (3) Principal	The Certificates (3) Interest	Grand Total Principal	Grand Total Interest	Grand Total Requirements	Less: Waterworks and Sewer System General Obligation Debt	Less: Airport General Obligation Debt	General Purpose Funded Tax Debt	% of Principal Retired
2020	$ 16,665,000	$ 12,989,941	$ 29,654,941	$ -	$ -	$ -	$ -	$ 16,665,000	$ 12,989,941	$ 29,654,941	$ 17,748,139	$ 468,046	$ 11,438,756	5.15%
2021	16,060,000	12,366,142	28,426,142	25,000	531,103	175,000	1,755,167	16,260,000	14,652,411	30,912,411	18,189,928	467,750	12,254,733	
2022	14,385,000	11,777,623	26,162,623	245,000	309,025	920,000	1,015,250	15,550,000	13,101,898	28,651,898	16,550,880	471,155	11,629,863	
2023	13,925,000	11,220,556	25,145,556	260,000	296,400	965,000	968,125	15,150,000	12,485,081	27,635,081	16,533,243	-	11,101,838	19.04%
2024	13,515,000	10,657,262	24,172,262	270,000	283,150	1,015,000	918,625	14,800,000	11,859,037	26,659,037	16,520,599	-	10,138,438	
2025	13,520,000	10,074,697	23,594,697	285,000	269,275	1,065,000	866,625	14,870,000	11,210,597	26,080,597	16,137,234		9,943,363	
2026	14,000,000	9,504,099	23,504,099	300,000	254,650	1,115,000	812,125	15,415,000	10,570,874	25,985,874	16,131,012		9,854,863	
2027	14,135,000	8,971,100	23,106,100	315,000	239,275	1,180,000	754,750	15,630,000	9,965,125	25,595,125	16,137,750		9,457,375	
2028	14,280,000	8,415,375	22,695,375	335,000	223,025	1,240,000	694,250	15,855,000	9,332,650	25,187,650	16,138,978		9,048,672	40.98%
2029	14,470,000	7,838,593	22,308,593	345,000	206,025	1,305,000	630,625	16,120,000	8,675,243	24,795,243	16,141,628		8,653,616	
2030	14,490,000	7,250,046	21,740,046	365,000	190,100	1,355,000	570,900	16,210,000	8,011,046	24,221,046	16,135,174		8,085,872	
2031	15,110,000	6,621,512	21,731,512	380,000	175,200	1,130,000	521,200	16,620,000	7,317,912	23,937,912	16,133,666		7,804,247	
2032	15,650,000	5,962,389	21,612,389	395,000	159,700	1,175,000	475,100	17,220,000	6,597,189	23,817,189	16,145,761		7,671,428	
2033	16,315,000	5,266,562	21,581,562	410,000	143,600	1,220,000	427,200	17,945,000	5,837,362	23,782,362	16,129,728		7,652,634	65.08%
2034	16,905,000	4,546,690	21,451,690	430,000	126,800	1,270,000	377,400	18,605,000	5,050,890	23,655,890	15,998,774		7,657,116	
2035	17,645,000	3,802,007	21,447,007	445,000	109,300	1,320,000	325,600	19,410,000	4,236,907	23,646,907	16,003,060		7,643,847	
2036	16,860,000	3,050,913	19,910,913	465,000	91,100	1,380,000	271,600	18,705,000	3,413,613	22,118,613	16,143,413		5,975,200	
2037	15,755,000	2,327,146	18,082,146	480,000	72,200	1,435,000	215,300	17,670,000	2,614,646	20,284,646	16,155,571		4,129,075	
2038	13,870,000	1,654,561	15,524,561	505,000	52,500	1,495,000	156,700	15,870,000	1,863,761	17,733,761	15,289,536		2,444,225	90.86%
2039	14,160,000	1,014,071	15,174,071	520,000	32,000	1,555,000	95,700	16,235,000	1,141,771	17,376,771	15,301,396		2,075,375	
2040	8,545,000	480,125	9,025,125	540,000	10,800	1,615,000	32,300	10,700,000	523,225	11,223,225	10,024,725		1,198,500	
2041	4,885,000	150,750	5,035,750					4,885,000	150,750	5,035,750	5,035,750		-	
2042	445,000	24,063	469,063					445,000	24,063	469,063	469,063		-	
2043	465,000	8,138	473,138					465,000	8,138	473,138	473,138		-	100.00%
	$ 316,055,000	$ 145,974,358	$ 462,029,358	$ 7,315,000	$ 3,775,228	$ 23,930,000	$ 11,884,542	$ 347,300,000	$ 161,634,127	$ 508,934,127	$ 341,668,143	$ 1,406,951	$ 165,859,033	

(1) Outstanding Debt includes self-supporting debt.
(2) Average life of the Bonds – 12.423 years. True Interest Cost of the Bonds is 2.766%.
(3) Average life of the Certificates – 11.867 years. True Interest Cost of the Certificates is 2.715%.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2020(1)		$ 11,438,756
Unaudited Interest and Sinking Fund Balance, 9/30/2019	$ 1,693,331	
Budgeted Interest and Sinking Fund Tax Collections, 9/30/2020	11,444,530	
Solid Waste Transfer	31,930	
General Fund Transfer	468,050	
Collection and Paying Agent Fees	(199,470)	
Estimated Investment Income	93,550	
		$ 13,531,921
Estimated Balance, 9/30/2020		$ 2,093,165

(1) Excludes Self-Supporting Debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Gross Income, Waterworks & Sewer System, Fiscal Year Ended 9/30/2018	$ 55,318,795
Less: Net Operating Expenses, Waterworks & Sewer System, Fiscal Year Ended 9/30/2018	33,548,400
Balance Available for Other Purposes	$ 21,770,395
Waterworks and Sewer System General Obligation Requirements, Fiscal Year Ended 9/30/2019	$ 17,748,139
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount Authorized	Amount Previously Issued	Amount Being Issued	Authorized But Unissued
5/9/2015	Streets & Road	$ 45,975,000	$ 39,392,000	$ 6,583,000 (1)	$ -
5/9/2015	Civic Center	$ 2,810,000	$ 2,810,000	-	-
5/9/2015	Sidewalks	3,820,000	3,820,000	-	-
5/9/2015	Police & Fire	12,865,000	12,865,000	-	-
5/9/2015	Zoo	1,030,000	1,030,000	-	-
5/9/2015	Aquatic Facilities	6,000,000	6,000,000	-	-
5/9/2015	Splash Pads	2,500,000	2,500,000	-	-
5/9/2015	Parks & Recreation	1,490,000	1,490,000	-	-
5/9/2015	Airport Improvements	4,200,000	2,500,000	1,700,000	-
		$ 80,690,000	$ 72,407,000	$ 8,283,000 (1)	$ -

(1) Principal plus premium applied to project costs.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT... The City anticipates issuing approximately $73.6 million in Refunding Bonds in December 2019. The City may incur non-voted debt payable from or secured by its collection of taxes and other sources of revenue, including tax notes, public property finance contractual obligations, and leases for various purposes.

TABLE 12 - OTHER OBLIGATIONS

The City has no other obligations.

RETIREMENT PLANS

Plan Descriptions

Texas Municipal Retirement System

The City provides pension benefits for all of its full-time employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System Plan (TMRS), one of 883 currently administered by TMRS, an agent multiple-employer public employee retirement system. The TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. Such report may be obtained on TMRS' website at www.TMRS.com.

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

Abilene Firemen's Relief and Retirement Fund

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

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

Benefits

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

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

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The plan provisions of the City are as follows:

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

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

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2017	October 1, 2017
Retirees and beneficiaries currently receiving benefits	802	177
Inactive employees entitled to but not yet receiving benefits	514	5
Active employees	1,031	174
Total Participants	2,347	356

Contributions

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

Employees for the City of Abilene were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.58% and 11.18% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $5,597,011 and were equal to the required contributions.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's contribution rate for fiscal year 2017 and 2018 was 19.25% of each member's gross pay. Of this amount 1.75 percent of pay is dedicated to providing post-retirement benefit increase to inactive members, unless the contribution is needed in order to meet the funding requirements of the plan. Fund members contributed 13.2% of gross pay. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a members' contributions are excluded from taxable income when paid into the fund. The City's contributions to AFRRF for the year ended September 30, 2018 were $2,603,746 and were equal to the required contribution.

Net Pension Liability

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

Texas Municipal Retirement System (TMRS) - The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's Net Pension Liability (NPL) was measured as of September 30, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of October 1, 2017.

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2017	September 30, 2018
Total Pension Liability	$ 296,487,294	$ 109,215,314
Fiduciary Net Position	283,295,984	57,127,453
Net Pension Liability	$ 13,191,310	$ 52,087,861

Actuarial Assumptions

Texas Municipal Retirement System

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alterative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

	Target Allocation	Long-Term Expectec Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100%	

Abilene Firemen's Relief and Retirement Fund

The Total Pension Liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Update procedures were used to roll forward the total pension liability from the actuarial valuation date to the pension plan's fiscal year-end.

Inflation	2.5% per year
Overall payroll growth	4.0% per year, compounded annually
Salary Increases	Service based
Investment Rate of Return	8.00%

Discount Rate

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

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

Supplemental Death Benefits Plan

The City also participates in the cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

For more information concerning the City's Retirement Plans, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note 7.

Other Post-Employment Benefits

The City's employee life insurance program is administered by an independent insurance company. The City collects premium payments from employees and retirees electing to participate in the program and remits these premium payments to the insurance company. Life insurance premiums collected and remitted for employees and retirees amounted to $14,737 and $3,610, respectively, for the year ended September 30, 2018.

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

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

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2019 (1)	2018	2017	2016	2015
Revenues:					
Taxes	$ 73,551,232	$ 79,113,365	$ 72,495,789	$ 69,056,784	$ 67,980,425
Franchise Fees	8,022,428	-	-	-	-
Licenses and Permits	1,536,512	1,354,980	1,314,897	1,531,658	1,548,832
Fines and Forfeitures	1,419,976	1,489,137	1,484,462	1,461,971	1,807,461
Charges for Services	4,753,503	4,664,421	4,477,775	4,035,974	3,937,650
Intergovernmental Revenues	614,885	95,888	91,711	107,864	89,530
Interest and Miscellaneous	8,043,432	7,693,121	6,902,158	6,296,627	5,831,082
Total Revenues	$ 97,941,968	$ 94,410,912	$ 86,766,792	$ 82,490,878	$ 81,194,980
Expenditures:					
General Government	$ 5,091,777	$ 4,861,003	$ 4,570,773	$ 2,293,529	$ 1,939,342
Administrative Services	1,663,436	1,600,024	3,093,545	2,954,916	2,697,576
Finance	6,072,120	5,153,741	5,692,057	7,359,153	7,126,917
Planning and Development	2,304,472	2,130,233	2,118,591	2,269,848	3,178,177
Public Works	6,624,916	7,400,010	6,810,897	6,327,803	6,422,266
Facilities & Capital Improvement	3,022,766	3,178,690	1,385,754	-	-
Police	29,265,496	28,195,026	27,748,927	26,275,119	24,894,951
Fire	20,891,715	19,986,671	19,256,979	18,748,209	18,577,983
Transportation Services	2,011,693	2,120,644	1,941,925	1,959,062	2,022,131
Community Services	12,876,618	11,931,636	11,564,539	13,590,332	11,552,181
Total Expenditures	$ 89,825,009	$ 86,557,678	$ 84,183,987	$ 81,777,971	$ 78,411,524
Excess (Deficit) of Revenue over Expenditures	$ 8,116,959	$ 7,853,234	$ 2,582,805	$ 712,907	$ 2,783,456
Other Financing Sources (Uses) (2)	(6,582,876)	(6,556,726)	(2,110,039)	(1,144,983)	(1,795,279)
Fund Balance at Beginning of Year	$ 28,228,036	$ 26,931,528	$ 26,458,762	$ 26,890,838	$ 25,902,661
Fund Balance at End of Year	$ 29,762,119	$ 28,228,036	$ 26,931,528	$ 26,458,762	$ 26,890,838

(1) Unaudited.
(2) The City funded its CIP program with cash in the General Fund.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (2)
2015	$ 31,481,309	87.01%	$ 0.5868	$ 265
2016	30,388,148	76.79%	0.5373	251
2017	31,193,071	73.07%	0.5322	257
2018	34,784,342	75.53%	0.5700	285
2019	32,203,062 (3)	68.25%	0.5058	259

(1) Excludes collections of the 1/2 of 1% sales and use tax for economic development.
(2) See "Estimated Population" under "Table 3A - Valuation and General Obligation Debt History".
(3) Partial year collections as of August 31, 2019.

FINANCIAL POLICIES

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

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

- Providing working capital in all funds sufficient to meet current operating needs.

- Funding Equipment Replacement at the required level.

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

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

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

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

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

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

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

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

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

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

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

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

INVESTMENTS

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

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) 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 "AAA-m" 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.

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

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4)require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) 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 purchase agreement; (8) restrict the investment in no-load 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; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of August 31, 2019, the City's investable funds were invested in the following categories:

Investment Type	Percent of Total Investments	Purchase Price	Fair Market Value[(1)]
TexPool	31.12%	$ 46,309,848	$ 46,309,848
TexSTAR[(2)]	35.32%	52,563,880	52,563,880
Money Markets	1.39%	2,069,829	2,069,829
Government Agency Investments	32.18%	47,888,699	48,066,796
	100.00%	$ 148,832,256	$ 149,010,353

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(1) All investments will mature within 20 months and the market value of the total investment portfolio was approximately 100.1% of its purchase price.
(2) TexSTAR is a local government investment pool co-administered by Hilltop Securities Inc.

TAX MATTERS

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

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

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

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

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

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT... The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the tax-exempt obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the particular series of obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

Prospective purchasers should be aware that because the first interest payment will be made more than one year after the issue date of the Bonds, the first payment may be treated as original issue discount. While such treatment of the payment will not adversely affect the excludability of the interest portion of the payment from a holder's gross income, special tax accounting treatment may apply. This tax accounting treatment would cause a portion of the interest payment to be recognized in the taxable year in which the Bonds are purchased, rather than the taxable year in which the payment is received by the holder. This treatment may accelerate the recognition of any portion of the payment which is treated as market discount and any other collateral federal income tax consequences for certain holders. Prospective purchasers should consult their tax advisors for advice regarding such consequences.

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2019. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the United States Securities and Exchange Commission (the "SEC"). The City will provide the updated information to the MSRB through the "EMMA" information system in accordance with Rule 15c2-12 (the "Rule") promulgated by the SEC.

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

NOTICE OF CERTAIN EVENTS …The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. 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. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if

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

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

OTHER INFORMATION

RATINGS

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

LITIGATION

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL OPINIONS

The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of each respective series of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the

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

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public shown on page 2 of this Official Statement, less an underwriting discount of $42,744.65. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public shown on page 4 of this Official Statement, less an underwriting discount of $132,757.84. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased.

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

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

Anthony Williams
Mayor
City of Abilene, Texas

ATTEST:

Shawna Atkinson
City Secretary
City of Abilene, Texas

<u>APPENDIX A</u>

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

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

POPULATION

	City of Abilene (1)	Taylor County (2)
1920 Census	10,274	24,081
1930 Census	23,175	41,023
1940 Census	26,612	44,147
1950 Census	45,570	63,370
1960 Census	90,368	101,078
1970 Census	89,653	97,853
1980 Census	98,315	110,932
1990 Census	106,707	119,655
2000 Census	115,930	126,555
2010 Census	117,179	127,683
2019 Estimated	124,557	136,290

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

BUSINESS AND INDUSTRY

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

LABOR FORCE ESTIMATES

	Annual Averages				
	2019(1)	2018	2017	2016	2015
Abilene					
Civilian Labor Force	55,723	55,710	54,823	54,048	54,058
Total Employment	54,007	53,868	52,824	51,976	52,054
Unemployment	1,716	1,842	1,999	2,072	2,004
Percent Unemployment	3.1%	3.3%	3.6%	3.8%	3.7%
Taylor County					
Civilian Labor Force	65,341	65,309	64,282	63,326	63,404
Total Employment	63,379	63,237	62,010	60,960	61,082
Unemployment	1,962	2,072	2,272	2,366	2,322
Percent Unemployment	3.0%	3.2%	3.5%	3.7%	3.7%
State of Texas					
Civilian Labor Force	14,027,575	13,848,080	13,589,208	13,347,311	13,095,837
Total Employment	13,528,932	13,314,203	13,002,828	12,731,137	12,513,692
Unemployment	498,643	533,877	586,380	616,174	582,145
Percent Unemployment	3.6%	3.9%	4.3%	4.6%	4.4%

Source: Texas Workforce Commission; subject to revision.
(1) Data through August 2019.

ECONOMIC INDICES, CITY OF ABILENE

Calendar Year	Building Permits	Water Utility Connections
2015	$ 214,014,497	39,686
2016	199,481,455	40,132
2017	207,335,801	40,217
2018	141,269,845	40,793
2019[(1)]	166,667,492	40,827

Source: The City.
(1) Figures as of August 31, 2019.

CITY OF ABILENE BUILDING PERMITS BY CLASSIFICATION

	Residential (Single-Family)		Business Industrial and	Schools and	Miscellaneous, Alterations and	
Year	Number of Units	Value	Apartments	Churches	Repairs	Total
2015	303	$ 66,041,187	$ 66,663,879	$ 66,104,514	$ 15,204,917	$ 214,014,497
2016	297	55,243,040	62,630,706	61,381,750	20,225,959	199,481,455
2017	275	61,497,646	101,782,128	31,824,501	12,231,526	207,335,801
2018	309	66,329,822	25,663,169	30,755,234	18,521,620	141,269,845
2019[(1)]	273	52,746,065	62,230,674	21,325,750	30,365,003	166,667,492

(1) Figures as of September 17, 2019.

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TOP 25 EMPLOYERS

Company	Type of Business	Estimated Employees 2019
Dyess Air Force Base	Air Force Base	8,400
Hendrick Health System	Hospital	3,200
Abilene Independent School District	Public School	2,450
Abilene Christian University	Private University	1,900
City of Abilene	City	1,300
State Supported Living Center	Mental Health	1,225
Texas Department of Criminal Justice	Prisons	1,190
BlueCross BlueShield of Texas	Health Insurance Call Center	1,090
Abilene Regional Medical Center	Hospital	830
AbiMar Foods	Food Manufacturing	680
Taylor County	County	560
First Financial Bank	Banking and Financial Services	540
Wylie Independent School District	Public Education	510
Eagle Aviation Services	Aviation Mechanic	470
Hardin-Simmons University	Private University	425
Rentech Boiler Systems and Services	Metal Fabrication	400
Cisco College	Public College	340
Coca-Cola Refreshments	Food Manufacturing	340
Abilene Diagnostic Clinic	Primary Care Physicians	300
Teleperformance	Contract Call Center	250

Source: Abilene Industrial Foundation

INDUSTRIAL/COMMERCIAL DEVELOPMENT

In 1989, the City set a precedent for the rest of Texas when Abilenians voted to become the first community to adopt a half-cent sales tax devoted specifically to economic development. Because of new life in retail trade and industrial expansion, Abilene's economic development sales tax collections have grown from just under $4 million in 1990 to $11.7 million in FY 2019.

Abilene has been receptive to the changes that were necessary to pull out of the slump caused by the economic downturn of the 1980's. The direction became to continue targeting better jobs that will further stabilize and enhance Abilene's economy while improving the quality of life for its citizens. A hard lesson was learned when several of the city's major employers, like Lockheed Martin, Texas Instruments and US Brass pulled up stakes and left town. Today, any viable community must support many smaller companies to provide a stable employment and property tax base.

Thirty years ago, City Council authorized the creation of the Development Corporation of Abilene, Inc. (DCOA) pursuant to the Development Corporation Act of 1979 (Texas Civil Statutes Article 5190.6), hereinafter referred to as the "Act". The Act allows municipalities to create a nonprofit corporation that will promote the creation of new and expanded industry and manufacturing activity within the municipality and its vicinity. The DCOA is a five-member board appointed by the Mayor and operates separately from the City of Abilene as a nonprofit with its own federal tax identification number.

DCOA promotes growth and development in Abilene's industrial, commercial and educational sectors with the goal to further diversify the economy. The DCOA utilizes many assets to increase capital investment and grow primary jobs. Two business parks: Five Points Business Park in West Abilene and Access Business Park East Abilene are among these assets:

- The Five Points Business Park is located on I-20 with rail service available, enhanced water pressure and electrical capability and streetlights, and boasts such tenants as Texas Department of Transportation, Healthcare Linen, Atmos Energy, Broadwind Towers, Pactiv Industries, Prairie Dog Pet Products and FedEx. The Park has about 600 acres available for new development.
- The Access Business Park is designed for light manufacturing and corporate headquarters due to its location directly across from the Abilene Regional Airport and access to major highways. Roads and utilities were recently installed so the DCOA is looking for an anchor tenant to jumpstart the Park's development. The Park has about 120 acres available with additional acreage located nearby.

The City recently created the Abilene Convention Center Hotel Development Corporation (the "ACCHDC") as a public, nonprofit corporation in accordance with Subchapter D of Chapter 431, Texas Transportation Code, for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, including aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote and accomplish the development of the geographic area of the City included at or in the vicinity of the Abilene Convention Center. The City and the ACCHDC have entered into a master development agreement with a developer for the development of a downtown convention center hotel.

AGRICULTURE

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

MINERAL PRODUCTION

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

Taylor County Statewide Onshore Oil & Gas Production
Annual Totals, 2015 - 2019

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2015	385,338	135,928	26,794	44
2016	386,804	91,110	20,924	6
2017	420,809	128,118	18,176	-
2018	404,664	207,960	16,447	-
2019(1)	194,849	89,268	8,866	-

Source: Texas Railroad Commission.
(1) Data through July 2019.

HIGHER EDUCATION - UNIVERSITIES AND COLLEGES

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

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

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

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

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

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

OTHER EDUCATIONAL INFORMATION

Abilene Independent School District, which includes approximately 90% of the City of Abilene, has a current enrollment of 16,842 and 2,534 employees including professional and other personnel.

GOVERNMENT AND MILITARY

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

DYESS AIR FORCE BASE…Located in and adjacent to Abilene, is a 6,430 acre permanent base of the Air Combat Command. There are an estimated 5,400 military & civilian personnel at the base. Dyess is the home base for the 7th Wing of the Air Combat Command and the home base of the 317th Airlift Group. The Wing flies the B-1 bomber and the C-130. Annual economic impact on Abilene is in excess of $532 million. As the primary training base for the B-1 bomber, Dyess was not affected by the base closure program of the Department of Defense.

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

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

HOSPITALS AND MEDICAL CARE

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

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

RECREATION AND ENTERTAINMENT

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

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

CHURCHES

Abilene has over 100 churches representing all major denominations.

Media

One daily newspaper.

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

Utility Services

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

Transportation

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

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

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

APPENDIX B

EXCERPTS FROM THE

CITY OF ABILENE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018

The information contained in this Appendix consists of excerpts from the City of Abilene, Texas Annual Financial Report for the Year Ended September 30, 2018, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Abilene, Texas
Abilene, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Abilene, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Abilene, Texas, as of September 30, 2018, 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.

Change in Accounting Principle
As discussed in Note 17 to the financial statements, the City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of October 1, 2017. Our opinions are not modified with respect to this matter.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 15 and 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Abilene, Texas' basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations,* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements of the City of Abilene, Texas.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019, on our consideration of the City of Abilene, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Abilene, Texas' internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
February 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ABILENE

CITY OF ABILENE

CITY OF ABILENE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2018

As management of the City of Abilene, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page I-3 of this report.

FINANCIAL HIGHLIGHTS

On a government wide basis the City's net position increased by $21 million or 5% as a result of operations. This increase was made up of an increase in governmental activities net position of $13 million or 7% and our business-type activities which increased by $8 million or 4%.

The City's total revenues increased by $11 million or 6% which is the combined result of a $5 million increase in governmental activities and $6 million increase in business-type activities revenue.

Total costs of all City programs increased by $4 million or 2%. Governmental activities decreased by $5 million or 5% while business-type activities increased by $9 million or 16%.

The General Fund's revenues exceeded expenditures by $8 million reduced by net transfers of ($7) million, resulting in a net increase to fund balance of $1 million or 5%.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-59.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules. The City of Abilene adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 60-66 of this report.

Combining and individual statements are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 67-118 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For 2018 the total primary government's net position was $412 million, an increase of $21 million over 2017. However, the largest portion of the City's net position is the net investment in capital assets (land, building, equipment and infrastructure), which is $378 million. The net capital assets are not highly liquid; therefore they are not considered future available resources. An additional $9 million of net position is subject to external restrictions on how the money is to be used. The remaining portion of net position of $25 million may be used to meet the government's future obligations.

As of October 1, 2017, the City was required to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The implementation of this standard requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. In the financial statements, beginning net position for governmental and business-type activities were restated to adopt the provisions of GASB Statement No. 75 and to report the beginning total OPEB liability and deferred outflows of resources related to contributions made after the measurement date. The restatement resulted in a $4 million decrease to the total primary government's net position.

The analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities. For comparative purposes, amounts for 2017 have been restated for the OPEB liability discussed earlier.

CITY OF ABILENE'S NET POSITION (in thousands)

	Governmental Activities 2018	Governmental Activities (As Restated) 2017	Business-Type Activities 2018	Business-Type Activities (As Restated) 2017	Total Primary Government 2018	Total Primary Government (As Restated) 2017
Current and other assets	$132,117	$122,905	$69,796	$77,553	$201,913	$200,458
Capital assets	278,312	261,439	383,335	380,392	661,647	641,831
Total Assets	410,429	384,344	453,131	457,945	863,560	842,289
Deferred outflow of resources	7,378	18,001	3,603	3,309	10,981	21,310
Other liabilities	16,339	14,775	5,102	8,987	$21,441	23,762
Noncurrent liabilities	204,650	211,033	227,243	237,627	431,893	448,660
Total Liabilities	220,989	225,808	232,345	246,614	453,334	472,422
Deferred inflow of resources	7,772	316	1,492	29	9,264	345
Net Position:						
Net investment in capital assets	202,020	192,230	175,803	170,683	377,823	362,913
Restricted	8,332	7,727	894	722	9,226	8,449
Unrestricted	(21,306)	(23,736)	46,200	43,206	24,894	19,470
Total Net Position	$189,046	$176,221	$222,897	$214,611	$411,943	$390,832

Governmental activities total assets increased by $26 million while total liabilities decreased by $2 million. These changes are primarily the result of issuing $5 million of new general obligation bonds and $12 million of certificates of obligation, as well as a settlement from TML for 2014 hail damage claims. As a result, current and other assets increased by $9 million, and net capital assets increased by another $17 million. Noncurrent liabilities decreased by $6 million primarily due to a significant decrease in the net pension liability. See pages 43-50 for information on the City's pension plans.

Governmental activities net position increased by $13 million or 7%. This decrease is primarily due to the $14 million decrease in the City's net pension liability.

Business-type activities total assets decreased by $5 million and total liabilities decreased by $14 million. These changes are attributable to the paying down of debt and reduction to the net pension liability, along with an overall reduction of retainage payable. Business-type activities net position increased by $8 million or 4%. Net investment in capital assets increased by $5 million and unrestricted net position increased by $3 million or 7%.

Changes in Net Position

During fiscal year 2018, the total net position of the City increased by $21 million. Governmental activities net position increased by $13 million. Business-type activities net position increased by $8 million due to revenues exceeding expenses by $12 million before transfers out of $4 million. The following table summarizes the changes in net position:

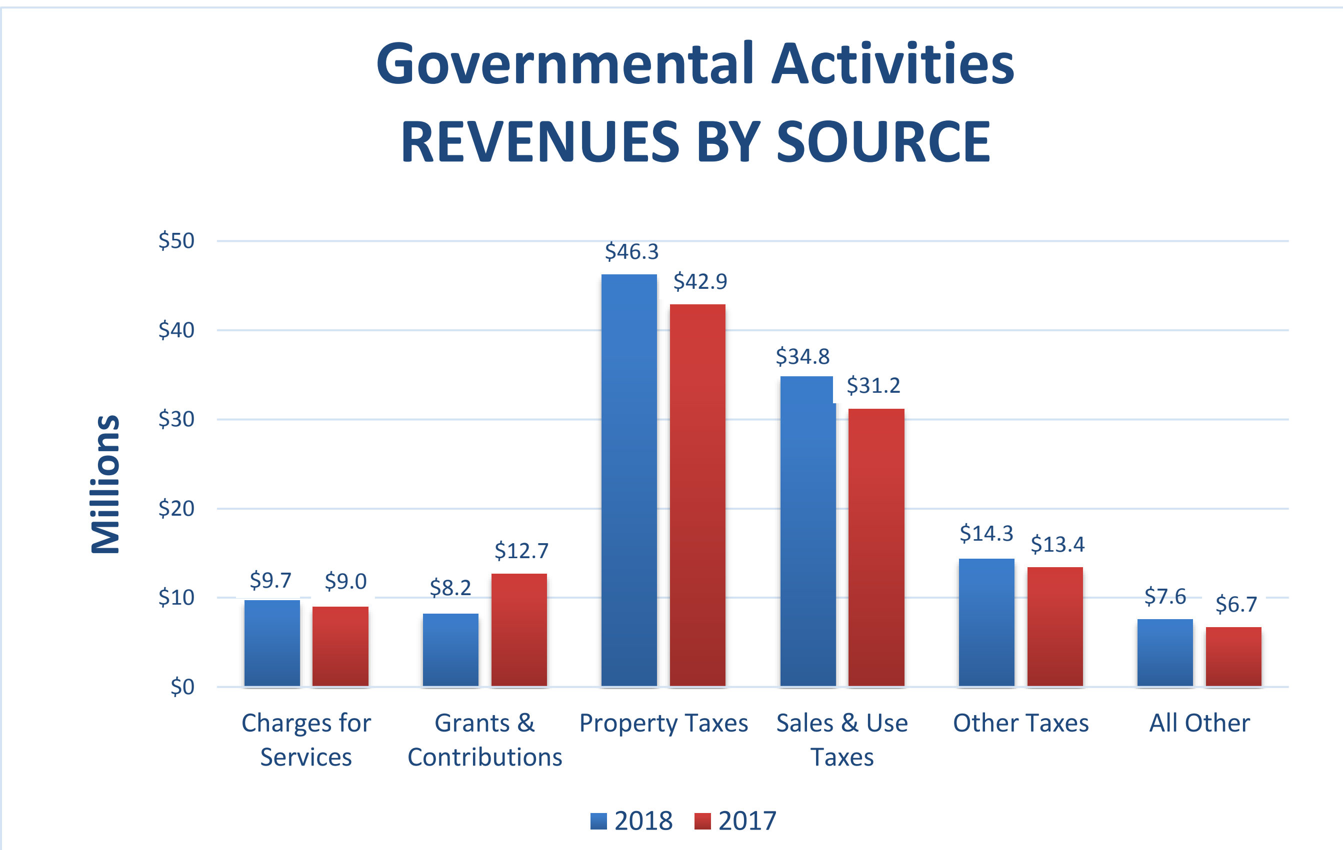
CITY OF ABILENE'S CHANGES IN NET POSITION
(in thousands)

	Governmental Activities 2018	Governmental Activities 2017	Business-Type Activities 2018	Business-Type Activities 2017	Total Primary Government 2018	Total Primary Government 2017
Revenues:						
Program Revenues -						
Charges for services	$9,711	$8,971	$70,318	$68,133	$80,029	$77,104
Operating grants and contributions	3,942	4,244	1,971	1,804	5,913	6,048
Capital grants and contributions	4,273	8,438	6,579	2,438	10,852	10,876
General Revenues -						
Property taxes	46,250	42,886			46,250	42,886
Sales and use taxes	34,784	31,193			34,784	31,193
Franchise fees	7,859	7,471			7,859	7,471
Miscellaneous taxes	6,484	5,919			6,484	5,919
Investment earnings	1,533	748	836	406	2,369	1,154
Miscellaneous	6,005	5,089	325	831	6,330	5,920
Gain (loss) on sale/ retirement of capital assets	56	836	267	302	323	1,138
Total Revenues	120,897	115,795	80,296	73,914	201,193	189,709
Expenses:						
General Government	$5,915	$5,697			$5,915	$5,697
Human Resources	1,233	3,244			1,233	3,244
Finance	6,871	9,271			6,871	9,271
Planning & Dev. Services	3,165	3,631			3,165	3,631
Economic Development		320			0	320
Public Works	11,702	10,739			11,702	10,739
Facilities and Cap Improvements	2,896	1,363			2,896	1,363.00
Police	29,328	31,331			29,328	31,331
Fire	23,027	23,581			23,027	23,581
Transportation Services	5,670	5,651			5,670	5,651
Community Services	13,678	19,284			13,678	19,284
Health	4,387				4,387	
Interest on long term debt	4,098	3,288			4,098	3,288
Water and Sewer			50,993	40,815	50,993	40,815
Solid Waste Services			10,725	11,458	10,725	11,458
Transit Services			4,320	4,231	4,320	4,231
Stormwater Services			2,074	2,350	2,074	2,350
Total Expenses	111,970	117,400	68,112	58,854	180,082	176,254
Increases in net position before transfers	8,927	(1,605)	12,184	15,060	21,111	13,455
Transfers	3,898	602	(3,898)	(602)		
Increase in net position	12,825	(1,003)	8,286	14,458	21,111	13,455
Net position - October 1	179,243	180,246	215,265	200,807	394,508	381,053
Prior period adjustment	(3,022)		(654)		(3,676)	
Net position - September 30	$189,046	$179,243	$222,897	$215,265	$411,943	$394,508

Governmental Activities – Program Revenues and Expenses:

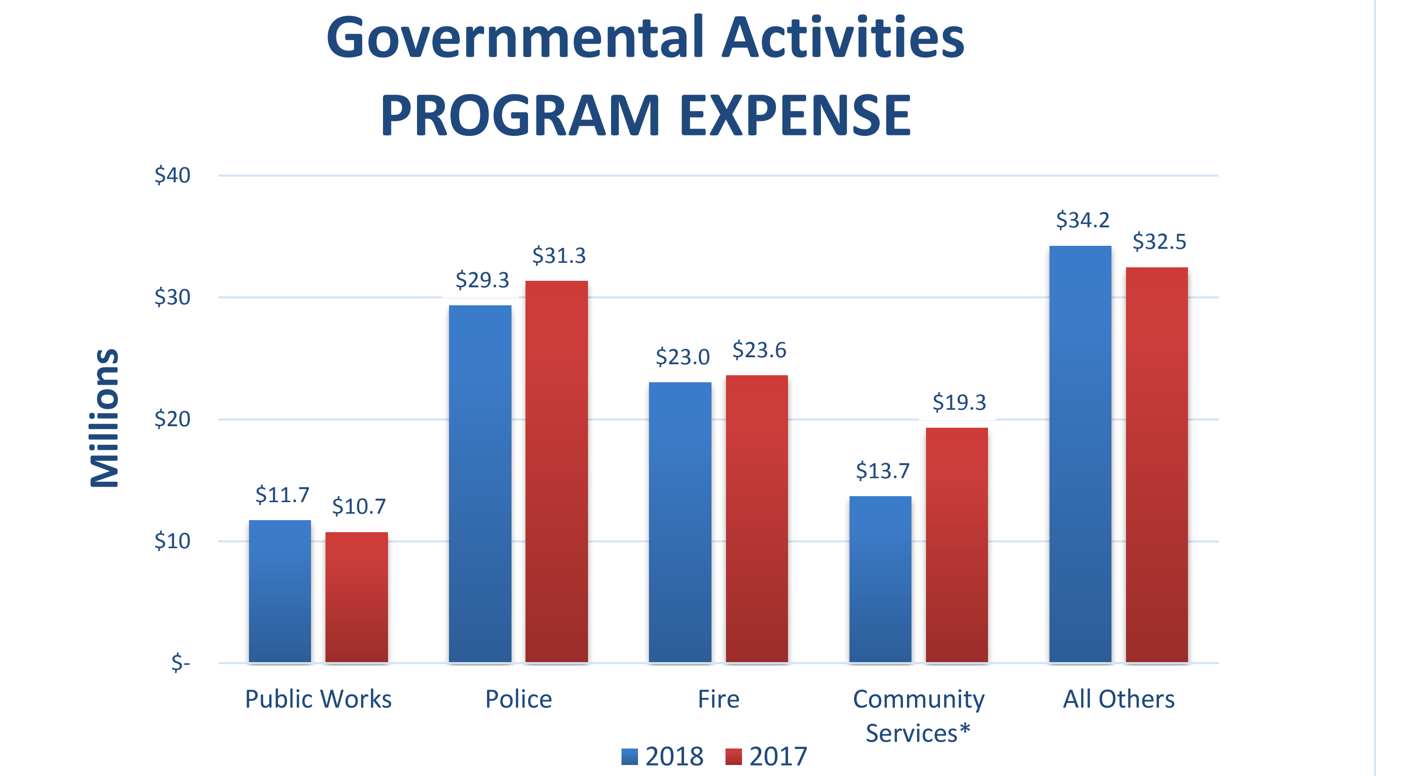
Governmental activities total revenues, both program and general, increased by $5 million, or 4%. The key factors for this change from fiscal year 2017 to 2018 are as follows:

- The City's property net taxable values increased for 2018 by $239 million or 4%. The tax rate to finance general governmental services increased from $.5448 per $100 of assessed value in 2017 to $.5648 in 2018. The tax rate to finance the payment of long-term debt increased from $.2017 per $100 of assessed value to $.2103 in 2018. The combined tax rate increased from $.7465 per $100 of assessed value in 2017 to $.7751 per $100 of assessed value in 2018. The total effect the increase in taxable value along with the increase in tax rate was an overall increase of $3 million in property taxes collected.
- The City's sales and use taxes increased by $4 million or 12%. Approximately half of the increase was due to one-time projects in the City.
- Capital grants and contributions decreased by $4 million, due to decreased funding for Airport Improvement Program grants from the Federal Aviation Administration.



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

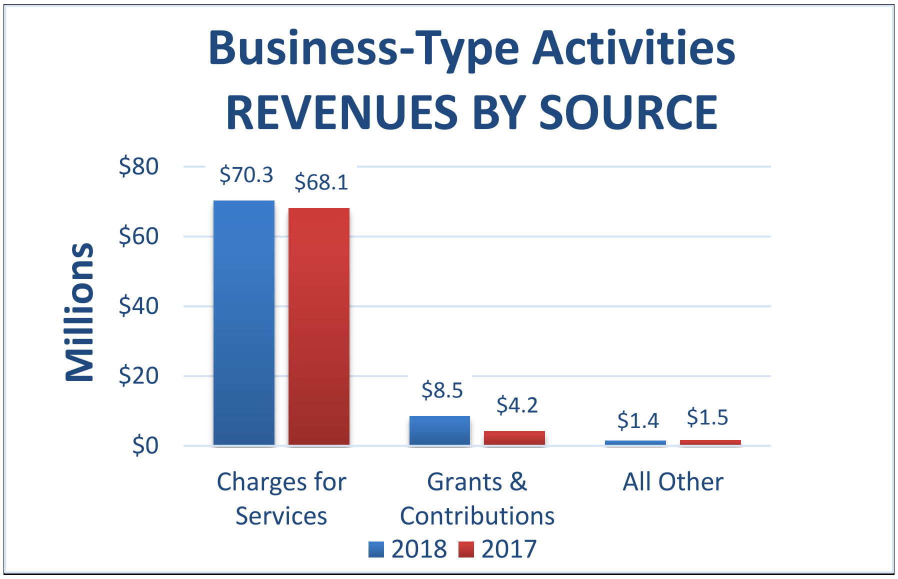
- Expenses decreased by $5 million due to an adjustment allocating out the change in net position of the internal service funds. The net position of the internal service funds increased due to the settlement from TML for 2014 hail damage claims which resulted in a decrease in expenses of governmental activities.



*In 2018, Health was moved out of Community Services into a separate department.

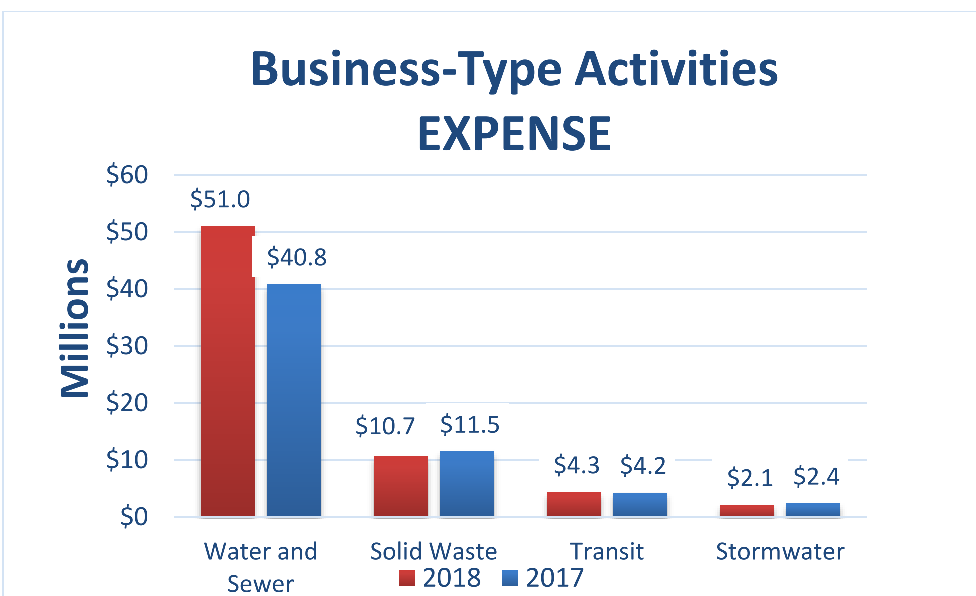
Business-type Activities - Program Revenues and Expenses:

Business-type activities revenues, both program and general, increased by $6 million or 9% primarily due to capital contributions of water and sewer improvements from private developers.



Business-type activities expenses increased by $9 million or 16%.

- The Water and Sewer System expenses increased by $10 million or 25%. This increase is the result of increased depreciation expense resulting from construction projects being completed and capitalized during 2018, as well as a significant increase in interest expense for debt service.
- Solid Waste Services expenses decreased by $.7 million or 6%, mostly attributable to a decrease in internal charges for service from other funds.
- Stormwater Services expenses decreased by $.3 million or 12% as a result of one-time professional service costs incurred in 2017 for the Stormwater Master Drainage Plan.



FUND FINANCIAL STATEMENTS

The City's fund financial statements beginning on page 19 show a combined fund balance in governmental funds of $97 million, which is a $7 million increase from 2017. Fund balances are considered Nonspendable, Restricted, Assigned, or Unassigned. Nonspendable fund balances are not in a spendable form such as inventory or prepaid items. Restricted fund balances are required to be spent for specific purposes as set by the providers of the funds, through constitutional provisions, or by enabling legislation. Assigned fund balances represent funds that have been designated internally for specific purposes. Finally, Unassigned fund balances are amounts that are available for any purpose. Of the $97 million combined fund balance, $55 million is Restricted, $14 million is Assigned and $28 million is Unassigned.

The increase in total fund balance of $7 million is in contrast to the $13 million increase in governmental activities net position in the government wide financial statements. The differences between these two statements are reflected in the reconciliation presented on page 22. The primary differences are in the manner that capital assets, debt, and certain accruals are recorded between the two statements.

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

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

	General Fund 2018	General Fund 2017	Debt Service 2018	Debt Service 2017	General Obligation Bonds Capital Project 2018	General Obligation Bonds Capital Project 2017	Nonmajor Governmental 2018	Nonmajor Governmental 2017	Total Governmental 2018	Total Governmental 2017
Revenues:										
Taxes	$79,113	$72,496	$12,301	$11,351			$3,960	$3,577	$95,374	$87,424
Intergovernmental	96	92					4,742	9,054	4,838	9,146
All other revenues	15,202	14,178	75	56	$473	$251	3,463	3,959	19,213	18,444
Total Revenues	94,411	86,766	12,376	11,407	473	251	12,165	16,590	119,425	115,014
Expenditures:										
Current	86,558	84,184			39	10	10,357	10,313	96,954	94,507
Debt Service			12,999	11,859	91	186	205	100	13,295	12,145
Capital Projects					12,627	19,894	10,446	13,477	23,073	33,371
Total Expenditures	86,558	84,184	12,999	11,859	12,757	20,090	21,008	23,890	133,322	140,023
Excess (Deficit) of Revenues Over Expenditures	7,853	2,582	(623)	(452)	(12,284)	(19,839)	(8,843)	(7,300)	(13,897)	(25,009)
Other Financing Sources (Uses)										
Issuance of debt (net of refundings)			9		5,321	15,929	12,723	9,364	18,053	25,293
Proceeds from sale of capital assets		836			101				101	836
Transfers in	3,230	3,497	538	606		700	10,513	4,071	14,281	8,874
Transfers out	(9,787)	(6,442)			(99)	(490)	(1,523)	(2,410)	(11,409)	(9,342)
Total Other Financing Sources (Uses)	(6,557)	(2,109)	547	606	5,323	16,139	21,713	11,025	21,026	25,661
Net Change in Fund Balances	1,296	473	(76)	154	(6,961)	(3,700)	12,870	3,725	7,129	652
Fund Balances Beginning of Year	26,932	26,459	1,842	1,688	35,312	39,012	25,286	21,561	89,372	88,720
Fund Balances End of Year	$28,228	$26,932	$1,766	$1,842	$28,351	$35,312	$38,156	$25,286	$96,501	$89,372

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

- General Fund total revenues increased by $8 million, while expenditures increased by over $2 million.
    - Property tax revenues increased by over $3 million and sales tax increased by $4 million. See the Government-Wide-Financial-Analysis for an explanation of this increase.
    - Current expenditures increased by $2 million or 3% primarily resulting from increases to certain personnel costs, including a 2.5% across the board pay raise and a slight increase to the City's Texas Municipal Retirement System contribution rate. Additional increases to personnel costs are attributed to implementation of a new compensation plan bringing all employees to 95% of market level as well as step pay increases for the Police and Fire Departments.

- Debt Service Fund total revenues increased by $1 million.
    - The overall tax rate to fund debt service increased from $.2017 to $.2103 per $100 of assessed value in fiscal year 2018 to meet debt service requirements for the debt issued as part of the 2015 voter approved bond election.

- The General Obligation Bond Capital Project Fund's most significant change was the issuance of $5 million of bonds as the fourth phase of the voter approved $81 million in capital improvements. These projects are anticipated to be completed over the next two to three years.

- Nonmajor Governmental Funds total revenues decreased by $4 million and expenditures decreased by $3 million. These changes are a result of decreased funding from the Federal Aviation Administration for Airport Improvements.

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

Net position of the Internal Service Funds increased by $6 million or 27%.

- In 2018, the Self Insurance Fund received one-time contributions totaling $1.5 million from Water and Sewer Fund, Solid Waste Services Fund, and the Fleet Management Fund in 2018 as a strategy to provide the Self Insurance Fund with adequate funding. Part of this strategy also includes an ongoing contribution from the General Fund equivalent to 1¢ (per $100 value) on the tax rate beginning in 2018.
- The receivable on 2014 hail damage claims from TML was increased by over $8 million, in anticipation of the settlement received in October 2018.

GENERAL FUND BUDGET HIGHLIGHTS

The City prepares its annual operating budget on a basis which differs from U.S. generally accepted accounting principles (GAAP basis). See Note 2 of the notes to financial statements for an explanation of these differences. The original General Fund budget was amended during the year which had the effect of increasing total revenues by $3 million and increasing net other financing sources (uses) by $(5) million. The final General Fund budget provided for a $2 million deficit to allow for use of excess fund balance above our operating reserve for one-time expenditures. Actual budget basis revenues, expenditures, and other financing sources (uses) for 2018 resulted in a positive increase in fund balance of $.7 million.

The General Fund's actual budget basis total revenues were $94 million while budgeted total revenues were $93 million. The positive variance of $1 million was due to sales tax exceeding expectations.

General Fund's actual budget basis expenditures before other financing sources (uses) were $87 million while budgeted expenditures were $88 million. The positive variance of $1 million was due to savings from personnel vacancies and continued conservative spending.

CAPITAL ASSETS

At the end of fiscal year 2018 the City had $662 million invested in capital assets, net of accumulated depreciation. These capital assets include land, building and improvements, improvements other than buildings, machinery and equipment, construction in progress, vehicles, infrastructure, and intangible assets such as software and water rights. See Note 5 in the notes to financial statements for additional detail of the capital assets.

The capital assets are summarized below:

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

	Governmental Activities 2018	Governmental Activities 2017	Business-Type Activities 2018	Business-Type Activities 2017	Total Primary Government 2018	Total Primary Government 2017
Land	$12,422	$12,342	$2,133	$2,133	$14,555	$14,475
Construction in progress	17,107	17,775	6,060	54,866	23,167	72,641
Buildings and improvements	51,769	43,658	212,295	166,346	264,064	210,004
Improvements other than buildings	101,636	103,256	141,951	135,703	243,587	238,959
Infrastructure	68,121	62,633			68,121	62,633
Machinery and equipment	5,833	3,066	3,503	3,023	9,336	6,089
Vehicles	21,141	18,205	824	1,048	21,965	19,253
Intangible Assets	283	505	16,570	17,273	16,853	17,778
Total	$278,312	$261,440	$383,336	$380,392	$661,648	$641,832

The City's capital asset additions for fiscal year 2018 (net of construction in progress retirements) for its governmental activities and business-type activities were $96 million.

Governmental activities capital additions (net of construction in progress retirements) were $34 million. The more significant additions were $5 million for street and traffic improvements, $3 million in Zoo improvements, $8 million for 3 new fire stations, and $3 million for the public safety communications system upgrade. At year end Construction in Progress consisted primarily of $6 million of street and traffic improvements and $6 million for the new Law Enforcement Center.

Business-type activities capital additions (net of construction in progress retirements) were $62 million. The most significant additions of $47 million were related to the City's drought response project, with $6 million added to Construction in Progress. At year end Construction in Progress consisted primarily of the drought response projects and water system improvement projects totaling $6 million.

LONG-TERM OBLIGATIONS

At year end the City had $432 million of long-term obligations, a decrease of $17 million or 4%. The table below reflects the long term obligations at year end:

Long-Term Obligations (in thousands)

	Governmental Activities 2018	Governmental Activities 2017 (As Restated)	Business-Type Activities 2018	Business-Type Activities 2017 (As Restated)	Total Primary Government 2018	Total Primary Government 2017 (As Restated)
General obligation bonds	$86,205	$87,200	$45,240	$18,550	$131,445	$105,750
Certificates of obligation	25,265	16,055	157,435	192,095	182,700	208,150
Contractual obligations	191	264			191	264
Bond premiums	11,893	11,296	21,002	20,096	32,895	31,392
Compensated absences	9,468	9,571	537	538	10,005	10,109
Liability for health claims	869	1,933			869	1,933
Workers compensation claims	3,400	2,939			3,400	2,939
Liability for property claims	875	1,944			875	1,944
Other post employment benefits	3,478	3,051	756	661	4,234	3,712
Net pension liability	63,006	76,809	2,273	5,694	65,279	82,503
Total	$204,650	$211,062	$227,243	$237,634	$431,893	$448,696

During 2018 the City issued $5 million of general obligation bonds in the governmental activities as part of Phase 4 of the 2015 $81 million voter approved capital project improvements. Among other things, the bonds will fund $46 million of street improvements, $2.8 million of Convention Center improvements, $3.8 million of sidewalk improvements, $12.9 million for police and fire facility improvements, $1 million of Zoo improvements, $10 million of park improvements and $4.2 of airport improvements. These projects are expected to be completed over the next two to three years. To date, several street improvement projects have been completed, several fire facilities, a new aquatics center, as well as all the Convention Center and Zoo improvements. In addition, the City issued $10 million of certificates of obligation to fund the construction of the new Law Enforcement Center, Water Utility, Municipal Court and Marshal offices and $2 million for parks and recreation improvements.

See Note 9, pages 52-55, of the notes to financial statements for additional information on long-term obligations.

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

ECONOMIC FACTORS AND FISCAL YEAR 2019

The City considered many factors in setting the fiscal year 2019 budget. Among those factors considered were a 4% increase in the City's assessed property tax values and a 2% increase in sales tax revenues. The General Fund operating tax rate remains at the 2018 tax rate of $.5648 per $100 of assessed value. The General Fund budgeted expenditures were set at $98.7 million, a $.9 million increase over 2018. Budgeted revenues were set at $98.7 million, a $2.8 million increase over 2018.

The Debt Service Fund tax rate for 2019 was decreased from $.2103 per $100 of assessed value to $.2074 as a result of lower debt service requirements in 2019.

During 2018, the Water and Sewer fund utilized their operating budget for planned significant one time capital expenditures. For fiscal year 2019 budgeted expenses are $54 million, a $1 million decrease over 2018. With no increase in water rates planned for 2019, budgeted revenues remain at $56 million.

REQUESTS FOR INFORMATION

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

CITY OF ABILENE

BASIC FINANCIAL STATEMENTS

CITY OF ABILENE

CITY OF ABILENE

CITY OF ABILENE, TEXAS **Exhibit A-1**
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Corporation of Abilene
ASSETS				
Cash and cash investments	$ 28,653,330	$ 18,503,569	$ 47,156,899	$ 9,363,090
Investments	26,117,701	26,798,560	52,916,261	13,283,361
Receivables:				
Accounts receivable, net	14,310,803	9,732,139	24,042,942	4,466,848
Delinquent taxes receivable, net	931,460	-	931,460	-
Internal balances	1,806,592	(1,806,592)	-	-
Due from other governments	7,110,444	386,145	7,496,589	1,983,177
Inventories - materials and supplies	331,896	1,263,769	1,595,665	-
Prepaid items	191,741	32,558	224,299	5,106
Restricted Assets:				
Cash and cash investments	49,040,965	14,059,175	63,100,140	-
Investments	1,763,461	825,677	2,589,138	-
Notes receivable	1,859,278	-	1,859,278	13,664,650
Capital assets not being depreciated	29,528,736	8,193,456	37,722,192	4,053,166
Capital assets net of accumulated depreciation	248,782,878	375,142,335	623,925,213	42,225,583
TOTAL ASSETS	410,429,285	453,130,791	863,560,076	89,044,981
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow of resources	7,377,754	3,603,021	10,980,775	-
LIABILITIES				
Accounts payable	10,354,311	2,502,124	12,856,435	322,396
Retainage payable	250,673	11,639	262,312	29,955
Accrued expenses	2,672,140	892,957	3,565,097	1,806,237
Accrued interest	588,914	1,136,821	1,725,735	-
Other deposits and liabilities	613,555	172,797	786,352	-
Unearned revenues	1,859,278	385,961	2,245,239	-
Noncurrent liabilities:				
Due within one year	12,321,010	8,029,140	20,350,150	-
Due in more than one year	192,329,190	219,213,517	411,542,707	-
TOTAL LIABILITIES	220,989,071	232,344,956	453,334,027	2,158,588
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	7,772,016	1,491,772	9,263,788	-
NET POSITION				
Net Investment in capital assets	202,019,892	175,803,351	377,823,243	46,278,749
Restricted for:				
Contractual obligations	-	-	-	11,142,231
Debt service	1,766,526	893,602	2,660,128	-
Capital projects	2,258,312	-	2,258,312	-
Public safety	1,444,837	-	1,444,837	-
Economic development	1,761,601	-	1,761,601	-
Community services	726,437	-	726,437	-
General government	373,907	-	373,907	-
Unrestricted	(21,305,560)	46,200,131	24,894,571	29,465,413
TOTAL NET POSITION	$ 189,045,952	$ 222,897,084	$ 411,943,036	$ 86,886,393

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

CITY OF ABILENE, TEXAS
Statement of Activities
For the Year Ended September 30, 2018

		Program Revenues		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General Government	$ 5,914,985	$ 975,198	$ 36,080	$ -
Human Resources	1,232,748	-	-	-
Finance	6,871,287	1,862,362	1,144	-
Planning and Development Services	3,164,675	1,179,031	1,150,521	-
Public Works	11,701,793	97,668	-	3,300,658
Facilities and Capital Improvements	2,895,988	-	-	-
Police	29,328,073	1,723,898	273,609	-
Fire	23,026,603	113,760	9,210	10,282
Transportation Services	5,669,644	2,005,829	47,231	961,574
Community Services	13,677,953	1,032,904	9,997	-
Health	4,387,574	719,975	2,414,667	-
Interest and fees on long-term debt	4,098,430	-	-	-
Total governmental activities	111,969,753	9,710,625	3,942,459	4,272,514
Business-type activities				
Water and Sewer Services	50,992,841	54,018,608	-	6,479,600
Solid Waste Services	10,725,040	13,634,876	-	-
Transit Services	4,319,886	399,849	1,970,975	99,252
Stormwater Services	2,073,951	2,264,288	-	-
Total business-type activities	68,111,718	70,317,621	1,970,975	6,578,852
Total primary government	$ 180,081,471	$ 80,028,246	$ 5,913,434	$ 10,851,366
COMPONENT UNIT:				
Development Corporation of Abilene	$ 11,536,099	$ -	$ -	$ -

General Revenues
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales and use taxes
Franchise taxes
Occupancy tax
Other taxes
Investment earnings net of change in fair value of investments
Gain on sale of capital assets
Miscellaneous income
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning of year as previously reported
Prior period adjustment (Note 17)
Net position, beginning of year as restated
Net position, ending of year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Development Corporation of Abilene
$ (4,903,707)	$ -	$ (4,903,707)	$ -
(1,232,748)	-	(1,232,748)	-
(5,007,781)	-	(5,007,781)	-
(835,123)	-	(835,123)	-
(8,303,467)	-	(8,303,467)	-
(2,895,988)	-	(2,895,988)	-
(27,330,566)	-	(27,330,566)	-
(22,893,351)	-	(22,893,351)	-
(2,655,010)	-	(2,655,010)	-
(12,635,052)	-	(12,635,052)	-
(1,252,932)	-	(1,252,932)	
(4,098,430)	-	(4,098,430)	-
(94,044,155)	-	(94,044,155)	-
-	9,505,367	9,505,367	-
-	2,909,836	2,909,836	-
-	(1,849,810)	(1,849,810)	-
-	190,337	190,337	-
-	10,755,730	10,755,730	-
$ (94,044,155)	$ 10,755,730	$ (83,288,425)	$ -
$ -	$ -	$ -	$ (11,536,099)
$ 33,949,113	$ -	$ 33,949,113	$ -
12,301,192	-	12,301,192	-
34,784,342	-	34,784,342	11,594,780
7,858,877	-	7,858,877	-
3,414,572	-	3,414,572	-
3,069,314	-	3,069,314	-
1,532,655	836,094	2,368,749	471,592
55,826	267,570	323,396	-
6,004,939	324,829	6,329,768	1,217,281
3,898,419	(3,898,419)	-	-
106,869,249	(2,469,926)	104,399,323	13,283,653
12,825,094	8,285,804	21,110,898	1,747,554
179,242,540	215,265,610	394,508,150	85,138,839
(3,021,682)	(654,330)	(3,676,012)	-
176,220,858	214,611,280	390,832,138	85,138,839
$ 189,045,952	$ 222,897,084	$ 411,943,036	$ 86,886,393

CITY OF ABILENE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2018

Exhibit B-1

	2018				
	General Fund	Debt Service Fund	General Obligation Bonds Capital Project Fund	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash investments	$ 15,521,909	$ -	$ -	$ 9,591,603	$ 25,113,512
Investments	9,245,680	-	-	11,852,131	21,097,811
Receivables (net):					
Accounts receivable	4,320,366	-	-	352,892	4,673,258
Property taxes receivable	931,460	-	-	-	931,460
Due from other funds	1,065,473	-	-	-	1,065,473
Due from other governments	6,363,143	-	-	747,301	7,110,444
Note receivable	-	-	-	1,859,278	1,859,278
Inventories - materials and supplies	2,961	-	-	-	2,961
Prepaid items	27,456	-	-	6,863	34,319
Restricted assets:					
Cash and cash investments	-	751,957	29,464,913	18,824,095	49,040,965
Investments	-	1,050,368	136,314	576,779	1,763,461
TOTAL ASSETS	$ 37,478,448	$ 1,802,325	$ 29,601,227	$ 43,810,942	$ 112,692,942
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 1,747,277	$ 1,950	$ 1,045,586	$ 2,634,697	$ 5,429,510
Retainage payable	-	-	205,146	45,527	250,673
Accrued expenditures	2,336,063	-	-	278,889	2,614,952
Due to other funds	1,287,947	33,849	-	426,309	1,748,105
Other deposits and liabilities	203,944	-	-	409,611	613,555
Unearned revenues	-	-	-	1,859,278	1,859,278
Total Liabilities	5,575,231	35,799	1,250,732	5,654,311	12,516,073
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue	3,675,181	-	-	-	3,675,181
FUND BALANCES:					
Non-spendable:					
Inventory	2,961	-	-	-	2,961
Prepaid items	27,456	-	-	6,863	34,319
Restricted for:					
Debt service	-	1,766,526	-	-	1,766,526
Capital projects	-	-	28,350,495	20,352,694	48,703,189
Other purposes	-	-	-	4,306,782	4,306,782
Assigned to:					
Capital projects	-	-	-	13,491,475	13,491,475
Other purposes	669,747	-	-	-	669,747
Unassigned	27,527,872	-	-	(1,183)	27,526,689
Total Fund Balances	28,228,036	1,766,526	28,350,495	38,156,631	96,501,688
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 37,478,448	$ 1,802,325	$ 29,601,227	$ 43,810,942	$ 112,692,942

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

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

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

As of September 30, 2018

Total Fund Balances - Governmental Funds		$ 96,501,688
Amounts reported for governmental activities in the statement of net position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		
Governmental capital assets	$ 447,713,640	
Accumulated depreciation	(186,491,675)	
		261,221,965
Deferred outflows from refunding of debt represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.		824,927
Deferred inflows from refunding of debt represent the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunded debt.		(6,899)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Franchise taxes	876,672	
Property taxes	850,426	
Fines and forfeits	1,948,083	
		3,675,181
Internal service funds are used by management to charge the costs of certain activities, such as equipment services, office services, information services and self-insurance to individual funds. The assets and liabilities of most of the internal service funds are included in governmental activities in the statement of net position.		27,606,886
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	588,914	
Compensated absences	9,390,019	
General obligation bonds	86,205,000	
Certificates of obligation	25,265,000	
Contractual obligation	191,374	
Unamortized premiums on bonds and certificate of obligations	11,893,253	
		(133,533,560)
Net pension liability, Other Post Employment Benefit (OPEB) liability, pension and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Other post employment benefits liability	3,384,713	
Net pension liability	62,652,976	
Deferred outflows of resources	(6,416,257)	
Deferred inflows of resources	7,622,804	
		(67,244,236)
Net Position of Governmental Activities		$ 189,045,952

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

CITY OF ABILENE, TEXAS **Exhibit B-2**
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Year Ended September 30, 2018

	2018				
	General Fund	Debt Service Fund	General Obligation Bonds Capital Project Fund	Nonmajor Governmental	Total Governmental Funds
REVENUES:					
Taxes	$ 79,113,365	$ 12,301,192	$ -	$ 3,959,756	$ 95,374,313
Licenses and permits	1,354,980	-	-	163,777	1,518,757
Fines and forfeitures	1,489,137	-	-	621,355	2,110,492
Charges for services	4,664,421	-	-	567,531	5,231,952
Intergovernmental revenues	95,888	-	-	4,741,589	4,837,477
Assessments/Passenger Facility Charge	-	-	-	570,035	570,035
Investment earnings net of change in fair value of investments	537,672	56,989	473,179	341,778	1,409,618
Miscellaneous	7,155,449	18,179	-	1,199,646	8,373,274
Total Revenues	94,410,912	12,376,360	473,179	12,165,467	119,425,918
EXPENDITURES:					
Current:					
General Government	4,861,003	-	-	510,934	5,371,937
Human Resources	1,600,024	-	-	9,700	1,609,724
Finance	5,153,741	-	2,094	2,855,397	8,011,232
Planning and Development Services	2,130,233	-	-	1,103,631	3,233,864
Public Works	7,400,010	-	-	256,600	7,656,610
Facilities and Capital Improvements	3,178,690	-	-	91,985	3,270,675
Police	28,195,026	-	-	823,031	29,018,057
Fire	19,986,671	-	28,588	25,273	20,040,532
Transportation Services	2,120,644	-	-	14,657	2,135,301
Community Services	11,931,636	-	7,820	251,024	12,190,480
Health	-	-	-	4,414,599	4,414,599
Debt Service:					
Principal	-	8,573,072	-	-	8,573,072
Interest	-	4,206,104	-	-	4,206,104
Fees and other charges	-	219,406	91,299	205,108	515,813
Capital projects	-	-	12,627,371	10,445,869	23,073,240
Total expenditures	86,557,678	12,998,582	12,757,172	21,007,808	133,321,240
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	7,853,234	(622,222)	(12,283,993)	(8,842,341)	(13,895,322)
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	4,880,000	11,870,000	16,750,000
Bond premium	-	98,202	441,463	853,374	1,393,039
Issuance of refunding bonds	-	830,000	-	-	830,000
Payments to refunded bond escrow agent	-	(919,078)	-	-	(919,078)
Proceeds from sale of capital assets	-	-	100,669	-	100,669
Transfers in	3,230,235	537,845	-	10,512,501	14,280,581
Transfers out	(9,786,961)	-	(99,391)	(1,523,417)	(11,409,769)
Total Other Financing Sources (Uses)	(6,556,726)	546,969	5,322,741	21,712,458	21,025,442
NET CHANGE IN FUND BALANCES	1,296,508	(75,253)	(6,961,252)	12,870,117	7,130,120
FUND BALANCES BEGINNING OF YEAR	26,931,528	1,841,779	35,311,747	25,286,514	89,371,568
FUND BALANCES END OF YEAR	$ 28,228,036	$ 1,766,526	$ 28,350,495	$ 38,156,631	$ 96,501,688

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

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

Reconciliation of Statement of Revenues, Expenditures and Change
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Net Change in Fund Balances - Governmental Funds		$ 7,130,120
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital acquisition	$ 26,769,715	
Depreciation	(13,263,920)	
		13,505,795
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment is to recognize the net change in "unavailable" revenue.		
Franchise Taxes	(60,060)	
Property Taxes	63,157	
Fines and forfeits	278,337	
Miscellaneous revenue	(47,557)	
		233,877
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of bonds	(16,750,000)	
Issuance of refunding bonds	(830,000)	
Bond premiums	(1,393,039)	
Principal repayments	8,573,072	
Payments to refunded bond escrow agent	919,078	
Amortization of bond premiums and deferred loss on bond refunding	586,798	
		(8,894,091)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	90,307	
Change in accrued interest payable	36,689	
		126,996
Changes to Other Post Employment Benfit (OPEB) liability, net pension liability, OPEB and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(4,608,477)
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, equipment replacement, information service and self-insurance to individual funds. The change in net position of most of the internal service funds are reported by function within governmental activities.		5,330,874
Change in Net Position of Governmental Activities		$ 12,825,094

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

CITY OF ABILENE, TEXAS **Exhibit B-3**
Statement of Net Position
Proprietary Funds
September 30, 2018

	Business- type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
CURRENT ASSETS:					
Cash and cash investments	$ 16,222,140	$ 1,415,645	$ 659,739	$ 18,297,524	$ 3,745,863
Investments	23,566,640	2,007,336	933,524	26,507,500	5,310,950
Accounts receivable	12,504,934	4,002,957	474,418	16,982,309	9,637,545
Less allowance for uncollectibles	(5,053,662)	(2,010,037)	(186,471)	(7,250,170)	-
Due from other funds	-	-	-	-	1,287,947
Due from other governments	-	-	386,145	386,145	-
Prepaid items	31,706	-	852	32,558	157,422
Inventories - materials and supplies	-	-	356,119	356,119	1,236,585
Restricted assets:					
Cash and cash investments	14,059,175	-	-	14,059,175	-
Investments	825,677	-	-	825,677	-
Total Current Assets	62,156,610	5,415,901	2,624,326	70,196,837	21,376,312
NONCURRENT ASSETS:					
Capital assets:					
Construction in progress	6,060,039	-	-	6,060,039	-
Land	1,546,673	202,506	384,238	2,133,417	-
Building and improvements	472,440,038	291,872	1,705,266	474,437,176	-
Machinery and equipment	10,303,750	3,328,491	6,806,381	20,438,622	43,441,986
Intangible assets	31,621,056	-	308,520	31,929,576	-
Accumulated depreciation	(141,961,434)	(2,170,181)	(7,531,424)	(151,663,039)	(26,352,337)
Net Capital Assets	380,010,122	1,652,688	1,672,981	383,335,791	17,089,649
Total Noncurrent Assets	380,010,122	1,652,688	1,672,981	383,335,791	17,089,649
TOTAL ASSETS	442,166,732	7,068,589	4,297,307	453,532,628	38,465,961
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow of resources	3,281,052	244,087	77,882	3,603,021	136,570
CURRENT LIABILITIES:					
Accounts payable	1,702,839	549,441	219,775	2,472,055	4,954,870
Retainage payable	11,639	-	-	11,639	-
Accrued expenses	256,724	605,830	30,403	892,957	57,188
Compensated absences	87,808	38,569	12,763	139,140	23,033
Accrued interest	1,136,821	-	-	1,136,821	-
Due to other funds	-	-	-	-	605,315
Other deposits and liabilities	172,797	-	-	172,797	-
Bonds payable	7,890,000	-	-	7,890,000	-
Estimated liability claims	-	-	-	-	1,823,656
Estimated health claims	-	-	-	-	868,594
Total Current Liabilities Payable from Current Assets	11,258,628	1,193,840	262,941	12,715,409	8,332,656
NON-CURRENT LIABILITIES:					
Compensated absences	260,312	124,648	12,545	397,505	54,553
Unearned revenue	385,961	-	-	385,961	-
Estimated liability claims	-	-	-	-	2,451,556
Bonds payable	215,787,504	-	-	215,787,504	-
Other post employment benefits liability	509,584	186,795	59,269	755,648	93,138
Net pension liability	1,526,561	561,620	184,679	2,272,860	353,335
Total Non-Current Liabilities	218,469,922	873,063	256,493	219,599,478	2,952,582
Total Liabilities	229,728,550	2,066,903	519,434	232,314,887	11,285,238
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow of resources	1,011,616	368,972	111,184	1,491,772	142,313
NET POSITION:					
Net investment in capital assets	172,477,682	1,652,688	1,672,981	175,803,351	17,089,649
Restricted for debt service	893,602	-	-	893,602	-
Unrestricted	41,336,334	3,224,113	2,071,590	46,632,037	10,085,331
TOTAL NET POSITION	$ 214,707,618	$ 4,876,801	$ 3,744,571	$ 223,328,990	$ 27,174,980
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - Central Warehouse					
Allocation of Internal Service funds net position				(431,906)	
Net position of business-type activities				$ 222,897,084	

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

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

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES:					
Charges for services	$ 53,635,180	13,634,876	$ 2,664,137	$ 69,934,193	$ 22,375,415
Other	383,428	-	-	383,428	-
Total Operating Revenues	54,018,608	13,634,876	2,664,137	70,317,621	22,375,415
OPERATING EXPENSES:					
Personnel services	8,583,950	3,231,406	1,028,524	12,843,880	1,938,220
Supplies	3,227,407	51,123	493,552	3,772,082	3,783,362
Maintenance	2,249,694	103,966	174,620	2,528,280	2,178,079
Other services and charges	19,487,349	7,080,388	4,362,583	30,930,320	13,600,577
Depreciation	9,908,610	241,056	373,531	10,523,197	2,521,523
Total Operating Expenses	43,457,010	10,707,939	6,432,810	60,597,759	24,021,761
OPERATING INCOME (LOSS)	10,561,598	2,926,937	(3,768,673)	9,719,862	(1,646,346)
NON-OPERATING REVENUES (EXPENSES):					
Investment earnings net of change in fair value of investments	762,135	44,380	22,671	829,186	129,945
Intergovernmental revenue	-	-	1,970,975	1,970,975	-
Rents and royalties	92,538	-	-	92,538	-
Net gain (loss) on disposal of assets	264,155	-	3,415	267,570	20,746
Interest expense and paying agent fees	(8,069,045)	-	-	(8,069,045)	-
Insurance recovery	-	-	-	-	6,216,105
Miscellaneous revenue	181,359	530	50,402	232,291	144,809
Other expense	-	-	-	-	(42,606)
Total Non-Operating Revenues (Expenses)	(6,768,858)	44,910	2,047,463	(4,676,485)	6,468,999
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,792,740	2,971,847	(1,721,210)	5,043,377	4,822,653
CONTRIBUTIONS AND TRANSFERS:					
Capital contributions	6,479,600	-	99,252	6,578,852	-
Transfers in	-	-	1,003,110	1,003,110	2,920,004
Transfers out	(1,863,164)	(3,008,365)	(30,000)	(4,901,529)	(1,892,397)
Net Contributions and Transfers	4,616,436	(3,008,365)	1,072,362	2,680,433	1,027,607
CHANGE IN NET POSITION	8,409,176	(36,518)	(648,848)	7,723,810	5,850,260
NET POSITION, BEGINNING OF YEAR as previously stated	206,739,564	5,075,063	4,444,883	216,259,510	21,405,593
Prior period adjustment (Note 17)	(441,122)	(161,744)	(51,464)	(654,330)	(80,873)
NET POSITION, BEGINNING OF YEAR, as restated	206,298,442	4,913,319	4,393,419	215,605,180	21,324,720
NET POSITION AT END OF YEAR	$ 214,707,618	$ 4,876,801	$ 3,744,571	$ 223,328,990	$ 27,174,980

Change in net position of the enterprise funds	7,723,810
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - Central Warehouse	561,994
Change in net position of business-type activities	$ 8,285,804

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

CITY OF ABILENE, TEXAS
Statement of Cash Flow
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	$ 54,665,492	$ 13,560,437	$ 2,711,391	$ 70,937,320	$ 2,442,004
Receipts from interfund services provided	-	-	-	-	18,220,917
Payments to suppliers	(16,887,986)	(2,797,171)	(4,119,066)	(23,804,223)	(7,185,921)
Payments to employees	(8,342,747)	(3,131,242)	(996,928)	(12,470,917)	(1,908,324)
Payments for loss claims	-	-	-	-	(12,399,780)
Payments for interfund services used	(7,935,222)	(4,194,961)	(904,426)	(13,034,609)	(154,189)
Net cash provided (used) by operating activities	21,499,537	3,437,063	(3,309,029)	21,627,571	(985,293)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenues	-	-	2,007,559	2,007,559	-
Transfers in	-	-	1,003,110	1,003,110	2,920,004
Transfers out	(1,863,164)	(3,008,365)	(30,000)	(4,901,529)	(1,892,397)
Decrease in due from other funds	-	-	-	-	221,075
Increase (Decrease) in due to other funds	(56,263)	-	-	(56,263)	605,315
Net cash provided (used) by noncapital financing activities	(1,919,427)	(3,008,365)	2,980,669	(1,947,123)	1,853,997
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of refunding bonds	31,885,000	-	-	31,885,000	-
Proceeds from bond premium	3,608,949	-	-	3,608,949	-
Payments to refunding bond agent	(34,787,777)	-	-	(34,787,777)	-
Bond issuance costs	(340,965)	-	-	(340,965)	-
Principal paid on contractual obligations	(8,915,000)	-	-	(8,915,000)	-
Interest and paying agent fees	(9,157,850)	-	-	(9,157,850)	-
Acquisition and construction of capital assets	(10,705,905)	(416,561)	(110,584)	(11,233,050)	(6,019,174)
Proceeds from sale / disposition of equipment	264,155	-	3,415	267,570	194,246
Proceeds from capital grants	-	-	99,252	99,252	-
Net cash provided (used) by capital and related financing activities	(28,149,393)	(416,561)	(7,917)	(28,573,871)	(5,824,928)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Cash from (paid to) pooled investments	3,000,047	311,000	379,197	3,690,244	4,250,408
Interest on investments	762,135	44,380	22,671	829,186	129,945
Net cash provided (used) by investing activities	3,762,182	355,380	401,868	4,519,430	4,380,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,807,101)	367,517	65,591	(4,373,993)	(575,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,088,416	1,048,128	594,148	36,730,692	4,321,734
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 30,281,315	$ 1,415,645	$ 659,739	$ 32,356,699	$ 3,745,863
RECONCILIATION OF CASH AND CASH EQUIVALENTS:					
Current assets:					
Cash and cash investments	$ 16,222,140	$ 1,415,645	$ 659,739	$ 18,297,524	$ 3,745,863
Restricted assets - cash and cash investments	14,059,175	-	-	14,059,175	-
	$ 30,281,315	$ 1,415,645	$ 659,739	$ 32,356,699	$ 3,745,863

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

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Solid Waste Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 10,561,598	$ 2,926,937	$ (3,768,673)	$ 9,719,862	$ (1,646,346)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	9,908,610	241,056	373,531	10,523,197	2,521,523
Miscellaneous revenue	181,359	530	50,402	232,291	6,360,914
Rents and royalties	92,538	-	-	92,538	-
Other non-operating expense	-	-	-	-	(42,606)
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	372,987	(74,969)	(3,148)	294,870	(8,073,408)
Prepaid items	-	-	(852)	(852)	(38,422)
Inventory	-	-	(16,278)	(16,278)	14,529
Deferred outflows of resources	1,495,019	546,512	174,180	2,215,711	305,503
Increase (decrease) in:					
Accounts payable	316,694	220,521	24,393	561,608	1,809,875
Accrued wages	11,921	5,348	3,109	20,378	(56)
Due to other funds	-	-	-	-	(249,150)
Compensated absences	(9,715)	7,379	1,284	(1,052)	(12,796)
Other deposits and liabilities	(175,452)	22,824	-	(152,628)	-
Estimated liability and health claims	-	-	-	-	(607,409)
Estimated health claims	-	-	-	-	(1,064,689)
Other post retirement benefits liability	64,119	186,795	7,298	258,212	11,469
Net pension liability	(2,312,206)	(1,007,673)	(263,178)	(3,583,057)	(413,565)
Pension related deferred inflows	992,065	361,803	108,903	1,462,771	139,341
Net cash provided (used) by operating activities	$ 21,499,537	$ 3,437,063	$ (3,309,029)	$ 21,627,571	$ (985,293)
NONCASH TRANSACTIONS:					
Capital contributions from developers	$ 6,479,600	$ -	$ -	$ 6,479,600	$ -
Capital contribution from other funds	-	-	-	-	-

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

CITY OF ABILENE, TEXAS **Exhibit B-6**
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2018

		Agency Funds
ASSETS		
Cash and cash investments	$	3,080,496
Investments		4,215,045
Accounts receivable		131,679
TOTAL ASSETS	$	7,427,220
LIABILITIES		
Accounts payable	$	212,764
Other deposits and liabilities		7,214,456
TOTAL LIABILITIES	$	7,427,220

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

CITY OF ABILENE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Reporting Entity

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

- the organization is legally separate (can sue and be sued in their own name)
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The City's major activities or functions include police and fire protection, parks and libraries, public health and social services, planning and development, public works, animal services and general administrative services. In addition, the City operates five major enterprise activities - the water and sewer utility system, the solid waste services, stormwater, the transit system and street maintenance. These activities are included in the accompanying financial statements.

Blended Component Units

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

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

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

Discretely Presented Component Units

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

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

Related Organizations

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

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

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

Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been meet. The fiduciary funds of the City are agency funds and as such have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental Funds

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

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

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

Proprietary Funds

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

The City reports the following major proprietary funds:

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

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

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

Fiduciary Funds

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

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

Interfund Activity

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

Program Revenue

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

Operating and Nonoperating Items

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges for services. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Balance Flow Assumption

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

Use of Estimates

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

Fair Value of Financial Instruments

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

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

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

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

Assets, Liabilities, and Net Position or Equity

Cash Equivalents and Investments

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018.

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

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

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2018:

Assets at Fair Value as of September 30, 2018

	Level 1	Level 2	Level 3	Total
U.S. Government Securities	$ -	$70,783,042	$ -	$70,783,042
Total assets at fair value	$ -	$70,783,042	$ -	$70,783,042

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown net of an allowance for uncollectibles.

Inventories and Prepaid Items

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

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

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

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

Restricted Assets

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

Capital Assets

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

Depreciation of property, plant and equipment is generally provided by the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives for straight-line depreciation are as follows:

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

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

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City had the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Other Post Employment Benefits (OPEB) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions used to determine OPEB liability – This difference is deferred and amortized over a five year period.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify as deferred inflows of resources. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow is reclassified to revenue on the government-wide financial statements. The second item qualifies as deferred inflows of resources as a result of implementing GASB Statement No. 68. These deferred inflows related to pensions consisted of the difference between actual and expected experience and differences between projected and actual investment earnings. The third item relates to deferred inflows on refunding debt. When the debt is refunded, the associated gain is recognized as a deferred inflow and amortized over future years.

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

		Business Activities			
	Governmental Activities	Water and Sewer	Solid Waste	Non-Major Enterprise Fund	Total
Deferred Outflows of Resources					
Deferred outflows from pension activities	$ 6,326,983	$ 631,671	$ 231,706	$ 74,019	$ 937,396
Deferred outflows from OPEB activities	225,844	33,829	12,381	3,863	50,073
Unamortized deferred bond refunding cost	824,927	2,615,552	-	-	2,615,552
Total Deferred Outflows of Resources	$ 7,377,754	$ 3,281,052	$ 244,087	$ 77,882	$ 3,603,021
Deferred Inflows of Resources					
Deferred inflows from pension activities	$ 7,765,117	$ 1,011,616	$ 368,972	$ 111,184	$ 1,491,772
Deferred Inflows from refunding	6,899	-	-	-	-
Total Deferred Inflow of Resources	$ 7,772,016	$ 1,011,616	$ 368,972	$ 111,184	$ 1,491,772

Long-Term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. General obligation bonds, which have been issued to fund capital projects of both the general government and certain proprietary funds, are to be repaid from tax revenues of the City. General obligation debt is recorded in the governmental activities in the government-wide financial statements.

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

Compensated Absences

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

Pensions

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

Other Postemployment Benefits (OPEB)

The fiduciary net position of the TMRS Supplemental Death Benefits Plan (SDBP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from SDBP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

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

Transactions Between Funds

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

Federal and State Grants and Entitlements

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

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

Implementation of GASB Statement No. 75

As of October 1, 2017, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pension (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expenses. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard are included in Note 7.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Policies

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

1. At least thirty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget for the next fiscal year is legally enacted by the City Council through passage of an ordinance not later than the twenty-fifth day of the last month of the fiscal year. If the City Council does not enact the budget within this time period, then the budget as submitted by the City Manager becomes the legally authorized budget.

4. Expenditures may not legally exceed appropriations at the department level for each legally adopted annual operating budget. The City Manager may, without Council approval, transfer appropriation balances from one expenditure account to another within a department or agency of the City. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one department or agency to another. The reported budgetary data has been revised for amendments legally authorized during the year.
5. Annual budgets are legally adopted for the General Fund, some of the Special Revenue Funds (Community Development Fund, Home Fund, Health Services Fund, Health Grants Fund, Federal Highway Administration Fund, Seized Fund and Hotel/Motel Occupancy Fund), the Debt Service Fund, Enterprise Funds and Internal Service Funds. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year.
6. At the close of each fiscal year, any unencumbered appropriation balance (appropriations including prior year encumbrances less current year expenditures and encumbrances) lapses or reverts to the unassigned fund balance. The unencumbered appropriation balance in the Capital Projects Funds does not lapse at year end.

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

The major difference between GAAP and budget basis is that encumbrances are recorded as an assignment of fund balance (GAAP basis) as opposed to the equivalent of expenditures (budget basis) in governmental funds. There is also a revenue difference between GAAP and budget basis because the City does not budget revenue in accordance with GASB 33. Adjustments necessary to convert the change in fund balance from budget basis to GAAP basis are presented in the Notes to the Required Supplementary Information. Expenditures exceeded appropriations in the Hotel Motel Occupancy Fund and the Debt Service Fund in the amounts of $47,674 and $3,337 respectively.

Encumbrances

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

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

Nature and Purpose of Classifications for Fund Balance

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

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

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

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

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

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balance are available. Additionally, the City would first use committed, followed by assigned, and lastly unassigned balances when expenditures are incurred for purposes for which balances in any of those unrestricted fund balance classifications could be used.
The table below presents additional detail of fund balances as of September 30, 2018.

				Non-Major Governmental Funds			
	General	Debt Service	General Obligation Bond Project Fund	Special Revenue	Non-Major Capital Projects	Total Non-major Govt Funds	Total
Fund Balance							
Non-spendable:							
Inventory	$ 2,961	$ -	$ -	$ -	$ -	$ -	$ 2,961
Prepaid items	27,456	-	-	6,863	-	6,863	34,319
Restricted for:							
Debt service	-	1,766,526	-	-	-	-	1,766,526
Capital projects	-	-	28,350,495	-	20,352,694	20,352,694	48,703,189
Public safety	-	-	-	1,444,837	-	1,444,837	1,444,837
Economic development	-	-	-	1,761,601	-	1,761,601	1,761,601
Community services	-	-	-	726,437	-	726,437	726,437
General government	-	-	-	373,907	-	373,907	373,907
Assigned to:							
Capital projects	-	-	-	-	13,491,475	13,491,475	13,491,475
General government	138,752	-	-	-	-	-	138,752
Human resources	5,744	-	-	-	-	-	5,744
Finance	26,526	-	-	-	-	-	26,526
Streets and transportation	188,117	-	-	-	-	-	188,117
Facilities and capital improvements	147,015	-	-	-	-	-	147,015
Police	28,108	-	-	-	-	-	28,108
Fire	89,593	-	-	-	-	-	89,593
Community services	45,892	-	-	-	-	-	45,892
Unassigned	27,527,872	-	-	(1,183)	-	(1,183)	27,526,689
	$ 28,228,036	$ 1,766,526	$ 28,350,495	$ 4,312,462	$ 33,844,169	$ 38,156,631	$ 96,501,688

NOTE 3: DEPOSITS AND INVESTMENTS

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

Legal Investments

Under current Texas law, the City is authorized to invest in (1) obligations of the United States or its instrumentalities, (2) direct obligations of the State of Texas or its agencies, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating agency, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through primary government securities dealer or a financial institution doing business in the State of Texas, (8) securities lending program that is 100% collateralized, can be terminated at any time, and placed through a primary government securities dealer or a financial institution in the state of Texas, and has a term of one year or less, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (11) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) guaranteed investment contracts with a defined termination date, secured by obligations in an amount at least equal to the amount of bond proceeds invested under the contract, and is pledged to the entity and deposited with the entity or a third party selected and approved by the entity, and (13) public funds investment pools continuously rated no lower than AAA or AAAm or equivalent rating by at least one nationally recognized rating service and maintain a stable $1 net asset value. The City may invest in such obligations directly or through government investment pools that invest solely in such obligations. The City did not engage in repurchase nor reverse repurchase agreement transactions during the current year.

Custodial Credit Risk

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

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

Investment Policies

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

Objectives

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

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

Interest Rate Risk and Concentration Risk

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

	Per Policy		At September 30, 2018	
Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Maturity	% Of Portfolio
Local Government Investment Pools		100%	1 day	40%
Certificates of Deposit	1 year	50%	1 year	2%
U.S. Government Securities	2-10 years	100%	6 years	57%
Money Market Mutual Funds	Weighted Average 90 days	15%	n/a	0%
Money Market			1 day	1%

For short term liquidity requirements, the City utilizes two local government investment pools. TexPool is overseen by the State of Texas Comptroller of Public Account, operated under the supervision of the Texas Treasury Safekeeping Trust Company, and managed by Federated Investors, under a contract with the Comptroller. TexPool was created to invest funds on behalf of Texas political subdivisions. The pool operates on a $1 net asset value basis and allows same day or next day redemptions and deposits. As of September 30, 2018, TexPool's portfolio maintained a weighted average maturity of approximately 28 days.

The other local government investment pool utilized by the City is Texas Short Term Asset Reserve Fund (TexStar). This pool is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank. As of September 30, 2018, TexStar's portfolio maintained a weighted average maturity of approximately 30 days.

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2018, the City's investments in TexStar and TexPool were both rated AAAm by Standard and Poor's. In addition, the City requires all investment balances with financial institutions (certificates of deposit and money market accounts) to be fully collateralized with pledged securities or letters of credit held by third parties.

Investment Administration

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

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

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

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

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

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

Pooled fund cash investment and investment balances by fund type at September 30, 2018, are as follows:

	Cash Investments	Investments	Total
General Fund	$6,524,801	$9,256,846	$15,781,647
Special Revenue Funds	1,475,182	2,092,865	3,568,047
Debt Service Fund	737,419	1,046,189	1,783,608
Capital Project Funds	7,376,646	10,465,372	17,842,018
Enterprise Funds	19,266,125	27,333,178	46,599,303
Internal Service Funds	3,743,489	5,310,951	9,054,440
Agency Funds	2,971,026	4,215,045	7,186,071
Development Corporation of Abilene (component unit)	9,362,940	13,283,361	22,646,301
Total	$51,457,628	$73,003,807	$124,461,435

The following represents the investments at September 30, 2018 located in the pooled investment fund:

Description	Credit Ratings	Interest Rate	Par Value	Book Value (Cost)	Fair Value
Core Portfolio:					
Certificates of Deposit	N/A	2.450	$2,000,000	$2,000,000	$2,000,000
FFCB	Aaa	1.462	7,000,000	6,997,674	6,956,730
FHLB	Aaa	1.616	12,000,000	12,000,512	11,948,930
FHLMC	Aaa	1.225	5,000,000	4,997,699	4,975,260
FNMA	Aaa	2.289	2,000,000	1,983,175	1,976,730
U.S. Treasury Note	AA+	1.905	29,000,000	28,894,555	28,832,330
			57,000,000	56,873,615	56,689,980
Emergency/Liquidity Portfolio:					
TexPool	AAAm	1.995	30,196,743	30,196,743	30,196,743
TexStar	AAAm	2.000	19,753,853	19,753,853	19,753,853
Money Market	N/A	1.698	1,507,032	1,507,032	1,507,032
			51,457,628	51,457,628	51,457,628
Discretionary Portfolio:					
FNMA	Aaa	1.730	4,000,000	4,000,000	3,967,960
FFCB	Aaa	1.430	2,000,000	2,004,982	1,993,640
FHLB	Aaa	2.712	3,000,000	2,981,090	2,964,760
FHLMC	Aaa	2.311	7,215,000	7,215,000	7,166,702
			16,215,000	16,201,072	16,093,062
Accrued Interest			-	220,765	220,765
Total			$124,672,628	$124,753,080	$124,461,435

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

In addition to pooled fund cash investments, the City had cash investments invested in TexStar, ($48,447,317 held in capital project funds and $13,374,864 held in enterprise funds) and money market, ($361,221 held in enterprise funds).

NOTE 4: PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2017, upon which the 2017 levy was based, was $6,116,855,046. Taxes are due by January 31 following the October 1 levy date. Split payments are permitted: the first half by November 30; the second half by June 30. Discounts are not allowed.

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

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

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

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

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

The tax rate to finance general governmental services other than payment of principal and interest on long-term debt was $.5648 per $100 for the year ended September 30, 2018. The tax rate to finance the payment of principal and interest on long-term debt was $.2103 per $100 for the year ended September 30, 2018. Current taxes collected during the year ended September 30, 2018, amounted to 98.78% of the current tax levy.

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental Activities:	Balance September 30, 2017	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2018
Capital assets, not being depreciated:				
Land	$ 12,341,707	$ 124,842	$ (44,843)	$ 12,421,706
Construction in progress	17,774,520	12,470,212	(13,137,702)	17,107,030
Total capital assets, not being depreciated	30,116,227	12,595,054	(13,182,545)	29,528,736
Capital assets being depreciated:				
Buildings and improvements	69,521,250	10,254,690	-	79,775,940
Leasehold improvements	1,678,966	-	-	1,678,966
Improvements other than buildings	150,102,562	3,517,234	-	153,619,796
Infrastructure	135,792,808	9,914,035	-	145,706,843
Machinery and equipment	21,617,815	3,707,681	(84,775)	25,240,721
Vehicles	47,883,035	6,019,173	(1,617,939)	52,284,269
Software	3,314,180	6,175	-	3,320,355
Total assets being depreciated	429,910,616	33,418,988	(1,702,714)	461,626,890
Less accumulated depreciation for:				
Buildings and improvements	(25,863,471)	(2,143,401)	-	(28,006,872)
Leasehold improvements	(83,948)	(167,897)	-	(251,845)
Improvements other than buildings	(48,441,259)	(4,969,509)	-	(53,410,768)
Infrastructure	(73,160,033)	(4,425,682)	-	(77,585,715)
Machinery and equipment	(18,552,001)	(941,283)	84,775	(19,408,509)
Vehicles	(29,677,910)	(2,910,057)	1,444,440	(31,143,527)
Software	(2,809,161)	(227,615)	-	(3,036,776)
Total accumulated depreciation	(198,587,783)	(15,785,444)	1,529,215	(212,844,012)
Total capital assets being depreciated, net	231,322,833	17,633,544	(173,499)	248,782,878
Governmental activities capital assets, net	$ 261,439,060	$ 30,228,598	$ (13,356,044)	$ 278,311,614

Business-Type Activities:	Balance September 30, 2017	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2018
Capital assets, not being depreciated:				
Land	$ 2,133,417	$ -	$ -	$ 2,133,417
Construction in progress	54,866,282	1,008,267	(49,814,510)	6,060,039
Total capital assets, not being depreciated	56,999,699	1,008,267	(49,814,510)	8,193,456
Capital assets, being depreciated:				
Buildings and improvements	197,786,886	50,427,858	-	248,214,744
Improvements other than buildings	215,402,950	10,819,482	-	226,222,432
Machinery and equipment	13,265,533	999,263	-	14,264,796
Vehicles	6,794,021	-	(620,195)	6,173,826
Intangible assets	31,902,903	26,672	-	31,929,575
Total assets being depreciated	465,152,293	62,273,275	(620,195)	526,805,373
Less accumulated depreciation for:				
Buildings and improvements	(31,440,653)	(4,479,545)	-	(35,920,198)
Improvements other than buildings	(79,699,975)	(4,571,534)	-	(84,271,509)
Machinery and equipment	(10,242,825)	(519,088)	-	(10,761,913)
Vehicles	(5,746,667)	(223,215)	620,195	(5,349,687)
Intangible assets	(14,629,916)	(729,815)	-	(15,359,731)
Total accumulated depreciation	(141,760,036)	(10,523,197)	620,195	(151,663,038)
Total capital assets being depreciated, net	323,392,257	51,750,078	-	375,142,335
Business-type activities capital assets, net	$ 380,391,956	$ 52,758,345	$ (49,814,510)	$ 383,335,791

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

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

Governmental activities:	
General government	$ 1,155,502
Human Resources	1,328
Finance	132,759
Planning and development services	45,647
Public works	4,424,290
Facilities and capital improvements	133,278
Police	678,739
Fire	790,057
Transportation services	3,829,574
Community services	1,974,651
Health	98,096
Internal service funds	2,521,523
Total depreciation expense - governmental activities	$ 15,785,444
Business-type activities:	
Water and Sewer	$ 9,908,610
Solid Waste Services	241,056
Transit	373,531
Total depreciation/amortization expense - business-type activities	$ 10,523,197

NOTE 6: RETIREMENT PLANS

Plan Descriptions

Texas Municipal Retirement System

The City provides pension benefits for all of its eligible employees, except firefighters, through a nontraditional, joint contributory, hybrid defined benefit pension plan, one of 883 plans, administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

Abilene Firemen's Relief and Retirement Fund

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

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

Benefits Provided

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

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

The plans provisions for the City are as follows:

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

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

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2017	October 1, 2017
Retirees and beneficiaries currently receiving benefits	802	177
Inactive employees entitled to but not yet receiving benefits	514	5
Active employees	1,031	174
Total participants	2,347	356

Contributions

Texas Municipal Retirement System (TMRS) – The contribution rates for employees in TMRS ore 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 of Abilene were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.58% and 11.18% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $5,597,011 and were equal to the required contributions.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's contribution rate for fiscal year 2017 and 2018 was 19.25% of each member's gross pay. Of this amount 1.75 percent of pay is dedicated to providing post-retirement benefit increase to inactive members, unless the contribution is needed in order to meet the funding requirements of the plan. Fund members contributed 13.2% of gross pay. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a members' contributions are excluded from taxable income when paid into the fund. The City's contributions to AFRRF for the year ended September 30, 2018 were $2,603,746 and were equal to the required contribution.

Net Pension Liability

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

Texas Municipal Retirement System (TMRS) - The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's Net Pension Liability (NPL) was measured as of September 30, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of October 1, 2017.

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2017	September 30, 2018
Total Pension Liability	$ 296,487,294	$ 109,215,314
Fiduciary Net Position	283,295,984	57,127,453
Net Pension Liability	$ 13,191,310	$ 52,087,861

Actuarial Assumptions

Texas Municipal Retirement System

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. For the City of Abilene, the base table is then multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment is used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Abilene Firemen's Relief and Retirement Fund

The Total Pension Liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. Update procedures were used to roll forward the total pension liability from the actuarial valuation date to the pension plan's fiscal year-end.

Inflation	2.5% per year
Overall payroll growth	4.0% per year, compounded annually
Salary increases	Service based
Investment Rate of Return	8.0%

Mortality rates for employee and healthy annuitants were based upon the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females. Termination rates were based upon Table T-1 from the *Actuary's Pension Handbook* with specimen rates at age 25 – 4.97%, age 35 – 2.49%, age 45 - .62%, age 55 - 0.00%. Disability rates were developed from the 1985 Society of Actuaries Disability Table Study using Class 1 male rates with a 90-day elimination period. Disability specimen rates at age 25 - .111%, age 35 - .152%, age 45 - .335% and age 55 - .858%. The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2013 through September 30, 2015.

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. For 2018 the inflation rate assumption was 4.00%. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and the best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
US Equities Large-cap	9.5%	8.0%
US Equities Mid-cap	11.5%	8.3%
US Equities Small-cap	10.5%	7.1%
International Equities	13.1%	8.0%
Emerging Market Equity	9.0%	1.8%
Fixed Income Intermediate	17.0%	-0.2%
Emerging Market Debt	2.0%	3.3%
Master Limited Partnership	4.0%	2.9%
REITs	7.4%	0.6%
Alternative investments	16.0%	3.4%
Total	100.0%	

Discount Rate

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

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The discount rate used to measure the Total Pension Liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that City contributions will continue at the negotiated rate of 19.25% of payroll each year. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. For purposes of this valuation, the expected rate of return on pension plan investments is 8.0%; the municipal bond rate is 4.18% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Bond Buyer); and the resulting single discount rate is 8.0%.

Schedule of Changes in the Net Pension Liability

Changes in the City's net pension liability presented below are calculated on the same basis as each of the plans. The Change in Net Pension Liability for TMRS and AFRRF for the fiscal year ended September 30, 2018 are as follows:

Texas Municipal Retirement System

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 288,193,568	$ 256,203,836	$ 31,989,732
Changes for the year:			
Service cost	7,281,125	-	7,281,125
Interest	19,126,024	-	19,126,024
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,142,179)		(1,142,179)
Change of assumptions	-	-	-
Contributions - employer	-	5,275,439	(5,275,439)
Contributions - employee	-	3,490,207	(3,490,207)
Net investment income	-	35,491,094	(35,491,094)
Benefit payments, including refunds of employee contributions	(16,971,244)	(16,971,244)	-
Administrative expenses	-	(184,022)	184,022
Other changes	-	(9,326)	9,326
Net changes	8,293,726	27,092,148	(18,798,422)
Balance at 12/31/2017	$ 296,487,294	$ 283,295,984	$ 13,191,310

Abilene Firemen's Relief and Retirement Fund

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 10/1/17	$ 107,969,265	$ 57,456,309	$ 50,512,956
Changes for the year:			
Service cost	2,297,343	-	2,297,343
Interest	8,493,830	-	8,493,830
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,357,662)	-	(1,357,662)
Change of assumptions	-	-	-
Contributions - employer	-	2,603,746	(2,603,746)
Contributions - employee	-	1,785,425	(1,785,425)
Net investment income	-	3,508,260	(3,508,260)
Benefit payments, including refunds of employee contributions	(8,187,462)	(8,187,462)	-
Administrative expenses	-	(38,825)	38,825
Other changes	-	-	-
Net changes	1,246,049	(328,856)	1,574,905
Balance at 9/30/18	$ 109,215,314	$ 57,127,453	$ 52,087,861

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

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

	1% Decrease in Discount Rate	Current Discount Rate Assumption	1% Increase in Discount Rate
	5.75%	6.75%	7.75%
TMRS - Net pension liability (asset)	$49,168,420	$13,191,310	($16,849,553)
	7.00%	8.00%	9.00%
AFRRF - Net pension liability	$63,924,334	$52,087,861	$42,043,184

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized total pension expense of $12,924,050. Pension expense recognized for the TMRS plan was $7,258,495 and for the AFRRF was $5,665,555.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Deferred Outflows of Resources		
Contributions subsequent to the measurement date	$ 4,150,788	$ -
Difference between projected and actual investment earnings	-	1,422,153
Changes in actuarial assumptions	1,136,321	555,117
Total Deferred Outflows of Resources	$ 5,287,109	$1,977,270
Deferred Inflows of Resources		
Differences between expected and actual economic experience	$ 1,006,768	$ 1,315,086
Difference between projected and actual investment earnings	6,935,035	-
Total Deferred Intflows of Resources	$ 7,941,803	$ 1,315,086

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement dates of $4,150,788 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the city's financial statements September 30, 2019).

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

Year ended September 30:	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
2019	$ 1,300,582	$ 1,063,998
2020	(555,282)	(100,657)
2021	(3,911,315)	(60,783)
2022	(3,639,467)	76,071
2023	-	(122,493)
Thereafter	-	(193,952)
Total	$ (6,805,482)	$ 662,184

NOTE 7: OTHER POST EMPLOYMENT BENEFITS

Supplemental Death Benefits Plan

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term insurance plan known as the Supplemental Death Benefits Fund (SDBF). This a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500. The SBDF covers both active and retiree participants, with no segregation of assets, and therefore does not meet the definition of a trust under GASB No. 75. As such, the SBDF is considered to be a single employer unfunded OPEB plan (i.e. no assets are accumulated).

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

Membership

As of the most recent actuarial valuation of the total OPEB liability, membership data is as follows:

Actuarial Valuation Measurement Date	December 31, 2017
Inactive employees currently receiving benefits	661
Inactive employees entitled to but not receiving benefits	164
Active employees	1,031
Total	1,856

Total OPEB Liability and Summary of Actuarial Assumptions:

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The total OPEB liability was based upon an actuarial valuation as of December 31, 2017. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014. A summary of the actuarial assumptions is listed below:

Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retiree's share of benefit-related costs	$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disable retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Changes in Total OPEB Liability

Changes in the City's total OPEB liability for the fiscal year ended September 30, 2018 are as follows:

Changes in the Total OPEB Liability		
Total OPEB Liability - beginning of year December 31, 2016 *	$	3,712,205
Changes for the year		
Service Cost		128,607
Interest on Total OPEB Liability		141,817
Changes of benefit terms		-
Difference between expected and actual experience		-
changes in assumptions or other inputs		300,334
Benefit payments **		(49,464)
Net changes		521,294
Total OPEB Liability - end of year December 31, 2017 *	$	4,233,499

* The dates listed are based upon the actuarial valuation date.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease	Current Discount Rate	1% Increase
	2.31%	3.31%	4.31%
Total OPEB liability	$4,996,576	$4,233,499	$3,632,508

OPEB Expense

For the fiscal year ended September 30, 2018, the City recognized total OPEB expense of $331,968. OPEB expenses recognized is as follows:

OPEB Expense		
Service Cost	$	128,607
Interest on total OPEB liability		141,817
Changes in benefit terms		-
Employer administrative costs		-
Recognition of deferred outflows/inflows of resources		
Differences between expeced the actual experience (1)		-
Changes in assumptions or other inputs (2)		61,544
Total OPEB expense	$	331,968

1. In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss/ (gain).
2. Generally, this will only be the annual change in the municipal bond index rate.

Schedule of Deferred Outflows and Inflows of Resources

At September 31, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ -
Changes in assumptions and other inputs	238,790
Contributions made subsequent to measurement date	37,127
Total	$ 275,917

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $37,127 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2018 (i.e. recognized in the city's financial statements September 30, 2019). Other amounts reported as deferred outflows of resources related to OPEB at September 30, 2018 will be recognized in OPEB expense as follows:

Year ended September 30:	Deferred Outflows of Resources
2019	$ 61,544
2020	61,544
2021	61,544
2022	54,158
2023	-
Thereafter	-
Total	$ 238,790

NOTE 8: SELF-INSURANCE

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

General and Professional Liability

During the current year, the City's liability insurance was a "self-insured" retention for loss plan. At September 30, 2018, a liability insurance policy for bodily injury and property damage was in effect for the airport. The airport insurance coverage is $1,000,000 per occurrence. The City informally budgets for current claims based on actuarial valuations and historical data. The City incurred $279,243 for liability claims and paid $30,197 for liability insurance premiums for the year ended September 30, 2018. With the exception of the airport, the City is fully self-insured in regard to general and professional liability.

Health Insurance

The City's health insurance program is a "self-insured" minimum premium cash flow plan. The City and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for each claim processed. The insurance company also secures bids for aggregate and individual stop loss coverage. The City informally budgets for current claims, administrative costs, and stop loss coverage based on actuarial valuations and current health care statistics. Prescriptions for medication are covered through a self-insured prescription card. Under this plan, the card holder pays one pre-set co-payment for generic medications and a higher co-payment for name brand drugs with the City paying the difference, thereby sharing the cost between the City and the card holder. Funding covers both the cost of claims and administrative expenses. The City paid $10,529,761 in health and prescription claims and paid $1,123,313 for administrative costs for the year ended September 30, 2018. The City contributed $6,960,963 and City employees contributed $2,441,633 to the health insurance program for the year ended September 30, 2018. Retirees and other agency contributions were $189,168 for the year ended September 30, 2018.

Estimated health claims that have been incurred but not reported are accrued at year end. The estimated liability for health claims is $868,594 at September 30, 2018. The estimated liability for health claims is based upon historical claims experience. All of the health claims liability is expected to be paid within one year. The following is a walkforward of the activity in the estimated liability account for the years ended September 30, 2016, 2017 and 2018:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated health claims:				
2016	$1,180,516	12,611,741	12,175,354	1,616,903
2017	1,616,903	10,399,492	10,083,112	1,933,283
2018	1,933,283	9,465,072	10,529,761	868,594

Life Insurance

The City's employee life insurance program is administered by an independent insurance company. The City collects premium payments from employees and retirees electing to participate in the program and remits these premium payments to the insurance company. Life insurance premiums collected and remitted for employees and retirees amounted to $14,737 and $3,610, respectively, for the year ended September 30, 2018.

Property Insurance

The City's property insurance program included a blanket property insurance policy of $470,680,541 for buildings, contents and equipment with a $250,000 deductible and a $5,000,000 limit for flood and earthquake loss. In addition, the City maintained $50,000,000 coverage on boiler and building machinery, with a $50,000 deductible and $9,397,810 of coverage on mobile equipment with a deductible of $250,000. Catastrophic automobile coverage of $20,110,124 was maintained on the fleet with a deductible of $250,000. The City paid $576,103 in property insurance premiums and $162,833 for property claims for the year ended September 30, 2018. On June 12, 2014, the City incurred significant damage to buildings, vehicles and equipment as a result of a hail storm. The estimated unpaid property claims for hail damage to the City's buildings, vehicles and equipment were accrued at year end. All property claims are expected to be paid within one year. The following is a walkforward of the activity in the estimated liability account for the year ended September 30, 2016, 2017 and 2018:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated liability claims:				
2016	$ 3,860,542	1,850,821	4,663,813	1,047,550
2017	1,047,550	0	9,196	1,038,354
2018	1,038,354	0	162,833	875,521

Worker's Compensation

The City's worker's compensation plan is part of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") in which the City is a member (however, the City is responsible only for claims of the City). TMLIRP reviews and processes all worker's compensation claims. The City maintains a $1,000,000 per occurrence retention and informally budgets for current claims based on actuarial valuations and historical data. The City paid $988,585 in worker's compensation claims for the year ended September 30, 2018, and $100,000 in administrative and other charges. Estimated liability claims that have been incurred but not reported are accrued at year end. The estimated liability for worker's compensation claims is $3,399,691 at September 30, 2018. The estimated liability claims are based upon historical claims experience as well as expected known claims.

The following is a walkforward of the activity in the estimated liability account for the years ended September 30, 2016, 2017 and 2018:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated liability claims:				
2016	$1,999,213	1,282,844	821,768	2,460,289
2017	2,460,289	2,357,244	973,266	3,844,267
2018	3,844,267	544,009	988,585	3,399,691

Summary

The Self-Insurance Fund net position was $271,254 at September 30, 2018.

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

NOTE 9: LONG-TERM OBLIGATIONS AND AMOUNTS DUE WITHIN ONE YEAR

The following is a summary of changes in long-term obligations for the year ended September 30, 2018:

	Balance at September 30, 2017	Additions	Retirements	Balance at September 30, 2018	Due Within One Year
Governmental Activities:					
Bonds and contractual obligations:					
General obligation bonds payable	$ 87,200,000	$ 5,710,000	$ 6,705,000	$ 86,205,000	$ 7,210,000
Certificates of obligation payable	16,055,000	11,830,000	2,620,000	25,265,000	1,360,000
Contractual obligation payable	264,445	40,000	113,072	191,373	95,687
Bond premiums	11,296,360	1,393,039	796,146	11,893,253	-
Total bonds/contractual obligations	114,815,805	18,973,039	10,234,218	123,554,626	8,665,687
Compensated absences	9,570,709	1,122,551	1,225,654	9,467,606	963,073
Estimated unpaid claims	6,815,904	10,009,081	11,681,179	5,143,806	2,692,250
Other post employment benefit liability	3,051,432	426,419	-	3,477,851	-
Net pension liability	76,808,515	-	13,802,204	63,006,311	-
Total Governmental Activities	$ 211,062,365	$ 30,531,090	$ 36,943,255	$ 204,650,200	$ 12,321,010
Business Type Activities:					
Bonds:					
Bonds payable	$ 210,645,000	$ 31,885,000	$ 39,855,000	202,675,000	$ 7,890,000
Bond premiums	20,096,046	3,608,949	2,702,491	21,002,504	-
Total bonds payable	230,741,046	35,493,949	42,557,491	223,677,504	7,890,000
Compensated absences	537,697	187,816	188,868	536,645	139,140
Other post employment benefit liability	660,773	94,875	-	755,648	
Net pension liability	5,694,173	-	3,421,313	2,272,860	-
Total Business Type Activities	$ 237,633,689	$ 35,776,640	$ 46,167,672	$ 227,242,657	$ 8,029,140

Governmental Activities

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

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

On December 1, 2017 the City of Abilene issued General Obligation Refunding Bonds, Series 2017 of $830,000 with an interest rate range of 4.0 to 5.0 percent and a final maturity of February 15, 2026. Proceeds from the bond sale will be used to refund General Obligation Refunding Bonds, Series 2011 and Certificate of Obligation Bonds, Series 2011 in order to lower the overall debt service requirements of the City. As a result of the refunding, the City reduced its debt service payments by $43,165 and obtained an economic gain (difference between present value of debt service payment of old and new debt) of $39,277.

On July 1, 2018 the City of Abilene issued General Obligation Bonds, Series 2018 of $4,880,000 with an interest rate range of 3.0 to 5.0 percent and a final maturity of February 15, 2038. Proceeds from the bond sale will be used for the public purpose of (i) constructing and improving streets and roads, including related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs; and (ii) constructing, installing and equipping runways and taxiways and other improvements at the City's airport.

On July 1, 2018 the City of Abilene issued Certificate of Obligation Bonds, Series 2018A of $10,215,000 with an interest rate range of 3.0 to 5.0 percent and a final maturity of February 15, 2039. Proceeds from the bond sale will be used for (i) acquiring, improving, renovating and equipping a building structure consisting of three units, one unit to be used for a law enforcement center for police and 911 communications center, one to be used for municipal courts and water utilities offices and one to be used for records storage, and related landscaping, parking and infrastructure for the facility; (ii) and constructing, improving, extending, expanding, upgrading and developing streets and roads, including, related utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs.

On July 1, 2018 the City of Abilene issued Certificate of Obligation Bonds, Series 2018B of $1,615,000 with an interest rate range of 3.0 to 4.0 percent and a final maturity of February 15, 2039. Proceeds from the bond sale will be used for the public purpose of acquiring, constructing, installing and equipping park and recreational improvements in the City.

The City intends to retire all of its general obligation and certificates of obligation bonds, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The general obligation and certificates of obligation bonds outstanding at September 30, 2018, will be amortized serially each year on dates prescribed by each respective bond ordinance through 2039. Total interest requirement for these bonds, at rates ranging from 2.0% to 6.75%, aggregate $42,047,380. $1,766,526 is available in the Debt Service Fund to service the general obligation and certificates of obligation bonds. All of these bonds are callable on dates prescribed by each respective bond ordinance.

The attorney general of the State of Texas established a practical limitation of $1.50 per $100 of assessed valuation on the debt service tax rate levied to service general obligation bonds, including interest. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended September 30, 2018, was $.2103 per $100 assessed valuation.

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

The Bond and the Certificate Capital Projects Funds, with fund balance aggregating $44,993,246, arise principally from proceeds of general obligation bonds and certificates of obligation sales. These proceeds may be used solely for the designated purposes as stated in the respective bond indenture and prospectus under which such bonds were sold. The City is in compliance with these requirements.

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

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Date	Amount Outstanding 09/30/18
Certificates of Obligation	05/01/2004	$ 800,000	5.0509	2-15-19/14	$ 50,000
Certificates of Obligation	07/15/2006	1,205,000	6.1705	2-15-21/16	240,000
General Obligation Bonds	08/01/2007	1,070,000	5.0467	2-15-27/17	465,000
Certificates of Obligation	08/01/2007	4,895,000	4.7993	2-15-22/17	1,705,000
General Obligation Bonds	05/01/2009	8,505,000	2.7528	2-15-20/20	680,000
General Obligation Bonds	08/15/2009	8,075,000	3.9131	2-15-29/19	405,000
Certificates of Obligation	08/15/2009	1,475,000	3.6800	2-15-29/19	100,000
Certificates of Obligation	08/15/2009	2,920,000	3.6800	2-15-29/19	140,000
General Obligation Bonds	01/15/2010	2,165,000	2.7312	2-15-21/20	410,000
General Obligation Bonds	12/15/2010	3,740,000	3.1574	2-15-22/21	340,000
Certificates of Obligation	12/15/2010	1,400,000	3.2800	2-15-26/20	200,000
General Obligation Bonds	12/15/2012	1,565,000	3.1319	2-15-43/22	125,000
General Obligation Bonds	08/15/2015	13,820,000	3.3500	2-15-35/25	8,375,000
General Obligation Bonds	08/15/2015	21,115,000	3.3500	2-15-35/25	18,880,000
Certificates of Obligation	08/15/2015	1,955,000	3.4000	2-15-35/25	1,660,000
General Obligation Bonds	09/01/2016	13,895,000	2.4131	2-15-36/25	13,705,000
General Obligation Bonds	09/01/2016	25,765,000	2.4131	2-15-36/25	23,840,000
Certificates of Obligation	09/01/2016	2,000,000	2.1100	2-15-31/25	1,735,000
General Obligation Bonds	07/01/2017	13,660,000	3.2167	2-15-37/26	13,275,000
Certificates of Obligation	07/01/2017	7,830,000	3.2165	2-15-37/26	7,605,000
General Obligation Bonds	12/01/2017	830,000	2.0893	2-15-35/28	825,000
General Obligation Bonds	07/01/2018	4,880,000	3.4000	2-15-38/28	4,880,000
Certificates of Obligation	07/01/2018	10,215,000	3.4719	2-15-39/28	10,215,000
Certificates of Obligation	07/01/2018	1,615,000	3.4368	2-15-39/28	1,615,000
					$ 111,470,000

The following is a maturity schedule for the bonds:

Fiscal Year Ended September 30	Debt Service Requirements to Maturity - Bonds Payable: Principal	Interest	Total Requirement
2019	$ 8,570,000	$ 4,521,236	$ 13,091,236
2020	7,750,000	4,156,803	11,906,803
2021	7,365,000	3,868,719	11,233,719
2022	7,020,000	3,593,968	10,613,968
2023	6,285,000	3,326,788	9,611,788
2024-2028	27,995,000	13,015,584	41,010,584
2029-2033	25,760,000	7,524,297	33,284,297
2034-2038	19,875,000	1,946,561	21,821,561
2039	850,000	20,675	870,675
Total Debt Service Requirements to Maturity - Bonds Payable	$ 111,470,000	$ 41,974,630	$ 153,444,630

On May 9, 2015, voters of the City authorized the issuance of $80,690,000 General obligation bonds. City Council has authorized issuance of $23,000,000 as General Obligation Improvement Bonds, Series 2015, $28,441,000 as General Obligation Improvement Bonds, Series 2016, $15,739,000 as General Obligation Improvement Bonds, Series 2017 and $5,227,000 as General Obligation Improvement Bonds, Series 2018. At September 30, 2018, the City also had authorized and unissued general obligation bonds of $300,000 proposed for sanitary landfill purposes which the City has no plans to sell.

Business Type Activities

Water and Wastewater Obligations

On December 1, 2017 the City of Abilene issued General Obligation Refunding Bonds, Series 2017 of $31,885,000 with an interest rate range of 2.0 to 5.0 percent and a final maturity of February 15, 2035. Proceeds from the bond sale will be used to refund General Obligation Refunding Bonds, Series 2011 and Certificate of Obligation Bonds, Series 2013 in order to lower the overall debt service requirements of the City. As a result of the refunding, the City reduced its debt service payments by $2,486,220 and obtained an economic gain (difference between present value of debt service payment of old and new debt) of $1,878,208.

The following is a schedule of Water and Wastewater Obligation Bonds outstanding as of 9/30/18:

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Dates	Amount Outstanding 09/30/18
Certificate of Obligation Bonds	8/15/2009	$ 5,960,000	3.6800	2-15-24/19	$ 395,000
General Obligation Bonds	12/15/2010	17,430,000	3.1574	2-15-22/21	3,245,000
Certificate of Obligation	12/20/2012	2,500,000	0.9400	2-15-33/23	1,900,000
General Obligation Bonds	12/15/2012	12,595,000	3.1319	2-15-43/22	7,985,000
Certificate of Obligation Bonds	10/24/2013	62,080,000	4.205	2-15-39/23	26,875,000
Certificate of Obligation Bonds	11/1/2014	57,580,000	3.690	2-15-40/24	53,585,000
Certificate of Obligation Bonds	4/1/2015	67,350,000	3.661	2-15-41/25	64,245,000
General Obligation Bonds	8/15/2015	2,305,000	3.350	2-15-35/26	900,000
General Obligation Bonds	9/01/2016	1,890,000	2.413	2-15-36/25	1,880,000
Certificate of Obligation Bonds	7/01/2017	10,740,000	3.2165	2-15-37/26	10,435,000
General Obligation Bonds	12/01/2017	31,885,000	2.0893	2-15-35/28	31,230,000
					$202,675,000

The following is a maturity schedule for the above bonds:

Fiscal Year Ended September 30	Total Principal	Total Interest	Total Requirement
2019	$ 7,890,000	$ 8,924,817	$ 16,814,817
2020	8,085,000	8,595,409	16,680,409
2021	7,860,000	8,263,649	16,123,649
2022	6,525,000	7,954,656	14,479,656
2023	6,795,000	7,670,415	14,465,415
2024 - 2028	37,125,000	33,608,516	70,733,516
2029 - 2033	45,650,000	24,703,277	70,353,277
2034 - 2038	56,150,000	13,111,675	69,261,675
2039 - 2043	26,595,000	1,646,712	28,241,712
Total	$ 202,675,000	$ 114,479,126	$ 317,154,126

NOTE 10: DEFICITS IN FUND BALANCE / NET POSITION

At September 30, 2018, the following funds of the City had deficit balances:

Special Revenue Funds:	
Federal Highway Administration	($618)
Miscellaneous Grants	(565)
Internal Service Funds:	
Fleet Maintenance Fund	($985,895)

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

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances in the fund financial statements, specifically the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. Interfund balances, specifically advances to and from other funds, are longer-term loans to cover Council directed internal financing of certain projects. At September 30, 2018, the City had $1,287,947 in internal financing. These balances are assessed an interest charge and are repaid over time through transfers.

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

	Due From Other Funds	Due To Other Funds
General Fund:		
Debt Service Fund	$ 33,849	$ -
Nonmajor Governmental Funds	426,309	-
Internal Service Funds	605,315	1,287,947
Total General Fund	1,065,473	1,287,947
Debt Service Fund:		
General Fund	-	33,849
Total Debt Service Fund	-	33,849
Nonmajor Governmental Funds:		
General Funds	-	426,309
Total Nonmajor Governmental Funds	-	426,309
Internal Service Funds:		
General Fund	1,287,947	605,315
Total Internal Service Funds	1,287,947	605,315
Total All Funds	$ 2,353,420	$ 2,353,420

NOTE 12: INTERFUND TRANSFERS

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

Transfers for the year ended September 30, 2018 are as follows:

	Transfers In	Transfers Out
General Fund:		
Debt Service Fund	$ -	$ 483,680
Nonmajor Governmental Funds	1,230,235	7,567,183
Solid Waste Enterprise Fund	2,000,000	-
Nonmajor Enterprise Funds	-	958,110
Internal Service Funds	-	777,988
Total General Fund	3,230,235	9,786,961
Debt Service Fund:		
General Fund	483,680	-
General Obligation Capital Project Fund	3,164	-
Nonmajor Governmental Funds	21,481	-
Solid Waste Enterprise Fund	29,520	-
Total Debt Service Fund	537,845	-
General Obligation Capital Project Fund:		
Debt Service Fund	-	3,164
Nonmajor Governmental Funds	-	96,227
Total General Obligation Capital Project Fund	-	99,391
Nonmajor Governmental Funds:		
General Fund	7,567,183	1,230,235
Debt Service Fund	-	21,481
General Obligation Capital Project Fund	96,227	-
Nonmajor Governmental Funds	226,694	226,694
Water Enterprise Fund	1,200,000	-
Nonmajor Enterprise Fund	30,000	45,000
Internal Service Funds	1,392,397	7
Total Nonmajor Governmental Funds	10,512,501	1,523,417
Enterprise Funds:		
Water Enterprise Fund		
Nonmajor Governmental Funds	-	1,200,000
Internal Service Funds	-	663,164
Solid Waste Enterprise Fund:		
General Fund	-	2,000,000
Debt Service Fund	-	29,520
Internal Service Funds	-	978,845
Nonmajor Enterprise Funds:		
Nonmajor Governmental Funds	45,000	30,000
General Fund	958,110	-
Total Enterprise Funds	1,003,110	4,901,529

	Transfers In	Transfers Out
Internal Service Funds:		
General Fund	$ 777,988	$ -
Nonmajor Governmental Funds	7	1,392,397
Water Enterprise Fund	663,164	-
Solid Waste Enterprise Fund	978,845	-
Internal Service Funds	500,000	500,000
Total Internal Service Funds	2,920,004	1,892,397
Total All Funds	$ 18,203,695	$ 18,203,695

NOTE 13: LITIGATION

At September 30, 2018, the City is involved in various lawsuits pending against the City. These lawsuits generally involve claims relating to general liability, automobile liability, civil rights actions and various contractual matters. Any settlements arising out of these lawsuits will be paid from the Self-Insurance Fund. In the opinion of management, any liabilities resulting from such suits would not have a material adverse effect on the City's financial statements.

NOTE 14: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

Significant Accounting Policies

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

Deposits and Cash Investments

Cash and cash investments at September 30, 2018 includes demand deposits and investments that are pooled with the City's. At year end demand deposits are entirely covered by FDIC insurance and pledged collateral held in the entity's name by the entity's agent.

Pooled cash investments represent funds invested with the City of Abilene's pooled investment fund. Cash investments consisted $9,363,090 and investments consisted of $13,283,361 at September 30, 2018. See Note 3 for additional disclosures related to this pooled investment fund.

Capital Assets

Capital assets activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2018
Capital assets, not being depreciated:				
Land	$ 2,848,912	$ 793,000	$ (327,259)	$ 3,314,653
Construction in Progress	137,491	738,513	(137,491)	738,513
Total capital assets, not being depreciated	2,986,403	1,531,513	(464,750)	4,053,166
Capital assets, being depreciated:				
Buildings and improvements	41,199,454	4,104,522	(7,234,437)	38,069,539
Improvements other than buildings	17,298,162	137,491	-	17,435,653
Machinery and equipment	2,360,678	7,264	(1,555,819)	812,123
Vehicles	40,452	-	-	40,452
Total assets being depreciated	60,898,746	4,249,277	(8,790,256)	56,357,767
Less accumulated depreciation for:				
Buildings and improvements	(10,609,731)	(1,014,352)	1,829,862	(9,794,221)
Improvements other than buildings	(2,973,424)	(579,139)	-	(3,552,563)
Machinery and equipment	(2,210,215)	(53,692)	1,518,960	(744,947)
Vehicles	(37,953)	(2,500)	-	(40,453)
Total accumulated depreciation	(15,831,323)	(1,649,683)	3,348,822	(14,132,184)
Total capital assets being depreciated, net	45,067,423	2,599,594	(5,441,434)	42,225,583
Capital assets, net	$ 48,053,826	$ 4,131,107	$ (5,906,184)	$ 46,278,749

Depreciation expense for the fiscal year ending September 30, 2018 totaled $1,649,683.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Federally Assisted Programs - Compliance Audits

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

Encumbrances

As discussed in Note 2, Stewardship, Compliance and Accountability, budgetary control for budgetary purposes includes the impact of encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. At September 30, 2018, there were outstanding encumbrances in the General fund of $669,747.

Construction Commitments

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

Capital Projects	Spent-to-Date	Remaining Commitment
Governmental Activities:		
Public Safety	$ 7,459,752	$ 16,045,823
Streets and Traffic	5,570,097	3,538,423
Public recreation and culture	2,744,595	1,177,055
Airport construction	1,332,586	234,437
Administrative services	-	39,209
Business-Type Activities:		
Water and Sewer	6,060,039	1,824,540
Total	$ 23,167,069	$ 22,859,487

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

Lease Agreements

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

NOTE 16: NEW PRONOUNCEMENTS

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

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

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

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

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

NOTE 17: RESTATEMENT OF PREVIOUSLY REPORTED NET POSITION

As a result of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB), beginning net position was restated to report the beginning total OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Government-Wide		
	September 30, 2017, as previously reported	Adjustment for GASB 75	September 30, 2017, as restated
Net Position:			
Governmental Activities	$ 179,242,540	$ (3,021,682)	$ 176,220,858
Business-Type Activities	215,265,610	(654,330)	214,611,280
	$ 394,508,150	$ (3,676,012)	$ 390,832,138

	Proprietary Funds		
	September 30, 2017, as previously reported	Adjustment for GASB 75	September 30, 2017, as restated
Net Position:			
Major enterprise funds:			
Water and Sewer	$ 206,739,564	$ (441,122)	$ 206,298,442
Solid Waste	5,075,063	(161,744)	4,913,319
Non-major enterprise funds :			
Transit	3,980,601		3,980,601
Stormwater	464,282	(51,464)	412,818
Total Enterprise Funds	$ 216,259,510	$ (654,330)	$ 215,605,180
Internal Service funds:			
Fleet Maintenance	$ (175,827)	$ (80,873)	$ (256,700)
Fleet Management	26,927,378	-	26,927,378
Self-Insurance	(7,215,727)	-	(7,215,727)
Technology	487,010	-	487,010
Central Warehouse	1,382,759	-	1,382,759
Total Internal Service Funds	$ 21,405,593	$ (80,873)	$ 21,324,720
Total Proprietary Funds	$ 237,665,103	$ (735,203)	$ 236,929,900

NOTE 18: SUBSEQUENT EVENTS

In November 2018, the City issued $18,370,000 of Combination Tax and Surplus Revenue Certificate of Obligation Bonds, Series 2018. The proceeds will be used to purchase and install Automated Meter Read (AMR) and Advanced Metering Infrastructure (AMI) or smart water meters throughout the City.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

CITY OF ABILENE, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,315,000

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

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

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

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the

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Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

Two Allen Center
1200 Smith Street, Suite 1550
Houston, Texas 77002
T 713.980.0500
F 713.980.0510

700 N. St. Mary's Street
Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

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

Respectfully,

Proposed Form of Opinion of Bond Counsel

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

CITY OF ABILENE, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $23,930,000

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

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

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

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

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

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

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

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

Respectfully,

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company.