

PRELIMINARY OFFICIAL STATEMENT

Dated: November 18, 2025

Ratings:
Fitch: "AA+"
Moody's: "Aa2"
(See "OTHER INFORMATION
- Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"), interest on the Bonds (defined below) 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, including the alternative minimum tax on certain corporations.

\$35,310,000*
CITY OF ABILENE, TEXAS
(Taylor and Jones Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025

Dated Date: December 1, 2025

Due: February 15, as shown on page 2

(Interest accrues from the delivery date.)

PAYMENT TERMS...Interest on the \$35,310,000* City of Abilene, Texas, General Obligation Refunding Bonds, Series 2025 (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, 2026, 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 BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Irving, Texas (see "THE BONDS - 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, Chapters 1207 and 1371, 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"). In the Bond Ordinance adopted on November 6, 2025 the City Council delegated to an officer of the City, pursuant to certain provisions of Chapter 1207 and Chapter 1371, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE... Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt set forth in Schedule I attached hereto, in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds (see "THE BONDS - Purpose of the Bonds").

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

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, "Form of Bond Counsel's Opinion"). 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 18, 2025.

FROST BANK

SAMCO CAPITAL MARKETS, INC.

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP ⁽¹⁾ Prefix: 00344N****\$35,310,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025**

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP ⁽¹⁾	Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP ⁽¹⁾
2027	\$ 3,315,000				2033	\$ 3,280,000			
2028	3,450,000				2034	3,450,000			
2029	3,240,000				2035	3,630,000			
2030	2,830,000				2036	3,810,000			
2031	2,970,000				2037	2,215,000			
2032	3,120,000								

(Interest to accrue from the date of delivery)

*Preliminary, subject to change.

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

OPTIONAL REDEMPTION...The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds that has or will be "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

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 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS 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 BONDS 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 Bonds 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 2020 U.S. Census population was 125,182, while the estimated 2025 population is 129,043 (see “INTRODUCTION - Description of the City” and “Appendix A – General Information Regarding the City”).
THE BONDS	The Bonds are issued as \$35,310,000* General Obligation Refunding Bonds, Series 2025 (the “Bonds”). The Bonds mature on February 15 in the years 2027 through 2037, inclusive (see “THE BONDS -Description of the Bonds”).
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of initial delivery to the underwriters listed on the cover page hereof (the “Underwriters”), and is payable commencing February 15, 2026 and each August 15 and February 15 thereafter, until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS - Optional Redemption”).
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the general laws of the State, including particularly, Texas Government Code, Chapters 1207 and 1371, as amended and an ordinance adopted by the City Council of the City on October 14, 2025 (the “Bond Ordinance”). In the Bond Ordinance, the City Council delegated to an officer of the City pursuant to certain provisions of Chapter 1207 and Chapter 1371, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale were included in a “Pricing Certificate,” which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are collectively referred to as the “Ordinance”). (See “THE BONDS - Authority for Issuance”).
SECURITY FOR THE BONDS	The Bonds constitute direct Bonds 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 (see “THE BONDS – Security and Source of Payment”).
REDEMPTION PROVISIONS	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”).
TAX MATTERS	In the opinion of Bond Counsel, the interest on the Bonds 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, including the alternative minimum tax on certain corporations.
RATINGS	The Bonds are rated “AA+” by Fitch Ratings (“Fitch”) and “Aa2” by Moody’s Investors Service, Inc. (“Moody’s”) (see “OTHER INFORMATION - Ratings”). Applications have been made to Fitch and Moody’s for contract ratings on the Bonds.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) refunding outstanding debt as shown in Schedule I (the “Refunded Bonds”) for debt service savings, and (ii) paying costs of issuance of the Bonds
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds 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 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 BONDS - Book-Entry-Only System”).
PAYMENT RECORD	The City has never defaulted in payment of its bonded indebtedness.

PAYING AGENT/REGISTRAR..... The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Irving, Texas.

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
2022	125,182	\$ 7,313,608,517	58,424	361,595,000	2,889	4.94%	98.93%
2023	129,043	8,221,137,344	63,709	358,020,000	2,774	4.35%	99.56%
2024	129,043	9,243,256,053	71,629	378,845,000	2,936	4.10%	98.67%
2025	129,043	9,844,664,248	76,290	392,925,000	3,045	3.99%	95.72%
2026	130,501	10,812,925,522	82,857	368,000,000 ⁽⁴⁾	2,820 ⁽⁴⁾	3.40% ⁽⁴⁾	N/A ⁽⁵⁾

(1) Population estimates provided by the City.

(2) As reported by the Central Appraisal District of Taylor County and Jones 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 Bonds but excludes the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary, subject to change.

(5) Collections not currently available.

For additional information regarding the City, please contact:

Marjorie Knight, CPA	George Williford
Director of Finance	Managing Director
City of Abilene	or Hilltop Securities Inc.
555 Walnut Street	717 North Harwood Street, Suite 3400
Abilene, Texas 79601	Dallas, Texas 75201
(325) 437-4913	(214) 953-8705

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Weldon Hurt Mayor	8 Years	May 2026	President, West Texas Pest Patrol
Shane Price Councilmember (Place 1)	16 Years	May 2027	Vice President of Development, Bookstore Manager Software
Lynn Beard Councilmember (Place 2)	4 Years	May 2027	General Manager, Abilene Aero, Inc.
Blaise Regan Councilmember (Place 3)	2 Years	May 2026	Attorney and Business Owner
Brian Yates Councilmember (Place 4)	2 Years	May 2026	Retired
Miguel Espinoza Councilmember (Place 5)	Newly Elected	May 2028	Accounting
Dr. Travis Craver Councilmember (Place 6)	6 Years	May 2028	Executive Director of Mentoring Alliance

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Emily Crawford	City Manager	4 Months
Michael Rice, PE	Assistant City Manager	10 Years
Shawna Atkinson, TRMC, CMC	City Secretary	7 Years
Stanley Smith	City Attorney	18 Years
Mari Cockerell	Director of Communications	7 Years
Troy Swanson	Chief Information Officer, Director of Information	2 Years
Lesli Andrews	Director of Parks & Recreation	22 Years
Marjorie Knight, CPA	Director of Finance	9 Years
Pamela Williams	Director of Human Resources	6 Years
Tim Littlejohn	Director of Planning and Development	9 Years
Max Johnson	Director of Public Works	6 Years
Don Green	Director of Transportation Services	21 Years
Matthew Dane	Director of Water Utilities	Newly Appointed
Annette Lerma	Director of Public Health	24 Years
Julee Hammer	Director of Library Services	6 Years
Ron Seratte	Chief of Police	1 Year
Cande Flores	Fire Chief	33 Years
Jesse Pottebaum	Zoo Director	6 Years
Mike Perry	Director of Office Professional Standards	34 Years

CONSULTANTS AND ADVISORS

AuditorsForvis Mazars

Bond CounselMcCall, Parkhurst & Horton L.L.P. Dallas, Texas

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

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$35,310,000*
CITY OF ABILENE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$35,310,000* City of Abilene, Texas, General Obligation Refunding Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) which will authorize the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds 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.

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 2020 U. S. Census population for the City was 125,182, while the estimated 2025 population is 129,043. The City covers approximately 109.92 square miles (see "Appendix A – General Information Regarding the City").

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of (i) refunding a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

REFUNDED OBLIGATIONS . . . A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The principal and interest due on the Refunded Obligations are to be paid on the scheduled payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, Irving, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds from the sale of the Bonds and other available funds, if any, the City will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on and to their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase securities authorized by State law to defease the Refunded Obligations (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the Refunded Obligations

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations on and to their respective redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations"). By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with State law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the verification report of the Verification Agent, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes or other funds, nor for the purpose of applying any limitation on the issuance of debt. Thereafter, the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrowed Securities.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . . Public Finance Partners LLC, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the escrowed securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded

Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

THE BONDS

DESCRIPTION OF THE BONDS...The Bonds are dated December 1, 2025 and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2026 until maturity or prior redemption. The definitive Bonds 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 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 "Book-Entry-Only System" herein).

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, Chapters 1207 and 1371, 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"). In the Bond Ordinance adopted on November 6, 2025 the City Council delegated to an officer of the City, pursuant to certain provisions of Chapter 1207 and Chapter 1371, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

SECURITY AND SOURCE OF PAYMENT...The principal of and interest on the Bonds constitute direct Bonds 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.

PURPOSE OF THE BONDS. . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt set forth in Schedule I attached hereto, in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds.

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. While State law does not provide for any allocation of the City's tax between debt service and operations, administratively, the Attorney General of the State will permit allocation of approximately two-thirds of the 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 2025/2026 tax rate is \$0.7506 of which \$0.1655 is for debt service purposes (see "TAX INFORMATION - Table 4 – Tax Rate, Levy and Collection History" herein).

OPTIONAL REDEMPTION...The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (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 Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds 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 Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

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

DEFEASANCE... The Ordinance provides for the defeasance of the Bonds when the payment of the principal on the Bonds, plus interest on the Bonds to the due date thereof is provided by irrevocably depositing with or making available to the Paying Agent/Registrar or authorized escrow agent, in trust (1) lawful money of the United States sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, 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 Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, defease or otherwise discharge Bonds such as the Bonds. The Pricing Officer may restrict Defeasance Securities as deemed appropriate. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds have been refunded and, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has 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 Bonds shall no longer be regarded to be outstanding or unpaid.

After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds 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 Bonds, 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 Bonds), 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 United States 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 Bonds. The Bonds 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 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds shall be sent to DTC. If less than all of the Bonds 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 Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 Bonds 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, Bonds 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, Bonds, 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 Bonds 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 Bonds, 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 Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “THE BONDS - Transfer, Exchange and Registration” below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Irving, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds 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 Bond certificates will be delivered to the registered owners of the Bonds and thereafter the Bonds 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (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 Bond 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 Bond.

RECORD DATE FOR INTEREST PAYMENT...The record date (“Record Date”) for the interest payable on the Bonds 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 a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance

under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders. The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

BONDHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or Bonds of the City, the failure to perform which materially, adversely affects the rights of the owners of the Bonds, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds, as applicable, or the Ordinance and the City's Bonds 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 Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. 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.3d 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 Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds or in the Ordinance. 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 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 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 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of 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 Bonds. Initially, the only registered owner of the Bonds will be DTC. See "Book-Entry-Only System" herein.

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

<u>Sources of Proceeds</u>	
Par Amount of the Bonds	
Net Reoffering Premium	
Transfers from Prior Issue Debt Service Funds	
Total Sources of Proceeds	<u>\$ -</u>
<u>Uses of Proceeds</u>	
Deposit to Escrow Fund	
Deposit to Debt Service Fund	
Underwriters' Discount	
Costs of Issuance	
Total Uses of Proceeds	<u>\$ -</u>

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Taylor Central Appraisal District and Jones County Appraisal District (collectively, the "Appraisal District"). Except as generally described below, the Appraisal District is required 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, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a 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 homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, 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 as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other Bonds of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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.

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION –City Application of Tax Code” and “Table 1 – Valuation, Exemptions and General Obligation Debt.”

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners

of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions 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.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . 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.

"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).

"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" 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 1.035, 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 of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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 Bonds.

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.

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, 2026 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... As of September 30, 2023, the City provides a program for tax abatements of real and/or business personal property tax in accordance with Texas Tax Code Section 312, "Property Redevelopment and Tax Abatement Act" and resolutions adopted by City Council. The purpose of the program is to attract new industries and to encourage the retention and development of existing businesses for the economic benefit of the City.

The City has entered into a tax abatement agreement with Lancium LLC, effective June 2025, which abates 85% of the taxable value of the land, improvements, and any tangible personal property for a period of 10 years. The tax abatement agreement was amended in September 2025 into multiple agreements, with no changes to the initial terms. As of the date of this official statement, the property improvements have not yet been completed.

TAX INCREMENT FINANCING ZONE... 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 as 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.

Reinvestment Zone Number Three, City of Abilene ("Zone Three") was created on November 17, 2022, by the City. Comprising approximately 421 acres, Zone Three includes the area between East North 10th Street and U.S. Highway 80 East on the north and south borders and Loop 322 on the eastern border, all within the City's corporate limits. Ad valorem taxes on incremental growth on real property values within Zone Three (levied at the tax rate of the City on real property in Zone Three from a base value as of January 1, 2022, of approximately \$1.7 million) are used to pay costs of development of Zone Three; these tax funds can be used only for public improvements in Zone Three or for payment of debt service on bonds issued to provide funds for public improvements located within Zone Three. Zone Three has no bonded debt.

CHAPTER 380 AGREEMENTS... The City is currently a party to 45 agreements under Chapter 380 of the Local Government Code.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by the Appraisal District (excluding totally exempt property)		\$ 12,442,472,638
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Local Option)	\$ 717,147,000	
Residence Homestead Exemptions (Over 65 and Disabled)	153,552,769	
Residential Homestead Value Lost on 10% Cap	185,597,898	
Productivity Loss	114,190,689	
Disabled Veterans Exemptions	310,229,174	
Pollution Control Value Lost	2,126,176	
Historic Tax Exemptions	10,793,328	
Circuit Breaker Limitation	135,910,082	
		(1,629,547,116) ⁽¹⁾
2025/26 Taxable Assessed Valuation		<u>\$ 10,812,925,522</u>
City Funded Debt Payable from Ad Valorem Taxes as of October 1, 2025		
Outstanding General Obligation Debt ⁽²⁾	\$ 354,235,000	
The Bonds ⁽³⁾	<u>35,310,000</u>	
		\$ 389,545,000
Less: Self-Supporting Debt ⁽⁴⁾		
Waterworks and Sewer System General Obligation Debt ⁽⁵⁾⁽⁶⁾	\$ 219,195,000	
Downtown Hotel Convention Center General Obligation Debt ⁽⁷⁾	5,495,000	
Abilene Reinvestment Zone No. 2 General Obligation Debt ⁽⁸⁾	<u>6,865,000</u>	
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 157,990,000
Ratio Funded Debt to Taxable Assessed Valuation		3.60%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		1.46%

2025 Estimated Population - 130,501
 Per Capita 2025/26 Taxable Assessed Valuation - \$ 82,857
 Per Capita Funded Debt Payable from Ad Valorem Taxes - \$2,985
 Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - \$1,211

- (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) Excludes the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025.
- (3) Preliminary, subject to change.
- (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 its 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).
- (5) "Waterworks and Sewer System (the "System") General Obligation Debt" consists of the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2012, 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, a portion of the General Obligation Refunding Bonds, Series 2017, the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018, a portion of the Combination Tax and Limited Surplus Certificates of Obligation, Series 2019, the General Obligation Refunding Bonds, Taxable Series 2019, a portion of the General Obligation Refunding Bonds, Taxable Series 2020, the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022, the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2025, and the Combination Tax and Surplus Revenue Certificates of Obligation, Taxable Series 2025 (DWSRF) closing December 4, 2025. 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 Bonds and Amounts Due within One Year" in the Notes to Financial Statements for the Fiscal year Ended September 30, 2024, in "APPENDIX B – EXCERPTS FROM THE CITY OF ABILENE, TEXAS ANNUAL FINANCIAL REPORT" for additional information concerning such Water Supply Contracts.
- (6) Includes Waterworks and Sewer System portion of the Bonds but excludes Waterworks and Sewer System portion of Refunded Obligations. Preliminary, subject to change.
- (7) "Downtown Hotel Convention Center General Obligation Debt" consists of outstanding Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2021B, on which debt service is provided from state and local hotel occupancy taxes (Texas House Bill 2445) and surplus revenues of the Downtown Hotel.
- (8) "Abilene Reinvestment Zone No. 2 General Obligation Debt" consist of outstanding Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2023.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 7,100,682,088	57.07%	\$ 6,687,132,206	59.29%	\$ 6,229,139,046	58.66%
Real, Residential, Multi-Family	728,517,717	5.86%	687,715,264	6.10%	659,084,477	6.21%
Real, Vacant Lots/Tracts	116,002,231	0.93%	98,801,473	0.88%	96,049,623	0.90%
Real, Acreage (Land Only)	116,605,062	0.94%	81,729,712	0.72%	85,609,997	0.81%
Real, Farm and Ranch Improvements	78,482,248	0.63%	66,805,071	0.59%	62,297,110	0.59%
Real, Commercial and Industrial	2,532,224,414	20.35%	2,157,766,442	19.13%	2,067,250,864	19.47%
Real, Oil, Gas and Other Minerals	17,184,392	0.14%	15,370,570	0.14%	17,784,881	0.17%
Real and Tangible Personal, Utilities	328,764,889	2.64%	306,835,974	2.72%	287,378,949	2.71%
Tangible Personal, Commercial and Industrial	1,329,852,949	10.69%	1,088,847,160	9.65%	1,021,967,434	9.62%
Tangible Personal, Other	19,937,991	0.16%	15,397,054	0.14%	13,762,397	0.13%
Real Property, Inventory ⁽¹⁾	9,191,290	0.07%	6,117,766	0.05%	7,888,169	0.07%
Special Inventory	65,027,367	0.52%	65,334,021	0.58%	70,536,450	0.66%
Total Appraised Value Before Exemptions	\$12,442,472,638	100.00%	\$ 11,277,852,713	100.00%	\$ 10,618,749,397	100.00%
Less: Total Exemptions/Reductions ⁽²⁾	(1,629,547,116)		(1,433,188,465)		(1,375,493,344)	
Taxable Assessed Value	<u>\$10,812,925,522</u>		<u>\$ 9,844,664,248</u>		<u>\$ 9,243,256,053</u>	

Category	Taxable Appraised Value for Fiscal Year September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,442,419,415	58.19%	\$ 4,683,734,730	57.06%
Real, Residential, Multi-Family	551,042,000	5.89%	485,122,986	5.91%
Real, Vacant Lots/Tracts	95,279,988	1.02%	83,572,596	1.02%
Real, Acreage (Land Only)	73,520,012	0.79%	61,351,429	0.75%
Real, Farm and Ranch Improvements	54,177,421	0.58%	48,317,011	0.59%
Real, Commercial and Industrial	1,850,864,707	19.79%	1,683,338,499	20.51%
Real, Oil, Gas and Other Minerals	17,483,879	0.19%	12,312,083	0.15%
Real and Tangible Personal, Utilities	259,411,555	2.77%	238,396,762	2.90%
Tangible Personal, Commercial and Industrial	927,067,287	9.91%	841,055,621	10.25%
Tangible Personal, Other	11,258,419	0.12%	10,349,111	0.13%
Real Property, Inventory ⁽¹⁾	5,782,737	0.06%	5,231,228	0.06%
Special Inventory	65,241,801	0.70%	55,788,391	0.68%
Total Appraised Value Before Exemptions	\$ 9,353,549,221	100.00%	\$ 8,208,570,447	100.00%
Less: Total Exemptions/Reductions ⁽²⁾	(1,132,411,877)		(894,961,930)	
Taxable Assessed Value	<u>\$ 8,221,137,344</u>		<u>\$ 7,313,608,517</u>	

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

- (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
2022	125,182	\$ 7,313,608,517	\$ 58,424	\$ 361,595,000	4.94%	\$ 2,889
2023	129,043	8,221,137,344	63,709	358,020,000	4.35%	2,774
2024	129,043	9,243,256,053	71,629	378,845,000	4.10%	2,936
2025	129,043	9,844,664,248	76,290	392,925,000	3.99%	3,045
2026	130,501	10,812,925,522	82,857	368,000,000 ⁽⁴⁾	3.40% ⁽⁴⁾	2,820 ⁽⁴⁾

(1) Source: City of Abilene

(2) As reported by the Appraisal Districts 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 Bonds but excludes the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary, subject to change.

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	Less: Downtown Hotel Convention Center General Obligation Debt	Less: Abilene Reinvestment Zone No. 2 General Obligation Debt	General Purpose Funded Tax Debt
2022	\$ 361,595,000	\$ 235,950,000	\$ -	\$ 6,000,000	\$ -	\$ 119,645,000
2023	358,020,000	225,755,000	-	6,000,000	7,255,000	119,010,000
2024	378,845,000	215,040,000	-	5,765,000	7,100,000	150,940,000
2025	392,925,000	219,300,000	-	5,495,000	6,865,000	161,265,000
2026	368,000,000 ⁽¹⁾	207,880,000 ⁽²⁾	-	5,160,000	6,620,000	148,340,000 ⁽¹⁾

(1) Includes the Bonds but excludes the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary, subject to change.

(2) Includes Waterworks and Sewer System portion of the Bonds but excludes Waterworks and Sewer System portion of Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2022	\$ 0.7851	\$ 0.6019	\$ 0.1832	\$ 57,419,140	98.81%	98.93%
2023	0.7621	0.5988	0.1633	59,686,344	98.68%	99.56%
2024	0.7328	0.5918	0.1410	65,103,435	97.92%	98.67%
2025	0.7607	0.5951	0.1656	73,390,594	94.77%	95.72%
2026	0.7506	0.5851	0.1655	79,538,583	N/A ⁽¹⁾	N/A ⁽¹⁾

(1) In process of collection.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	FYE 2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Abilene DC1, LLC	Data Centers and Computing	\$ 236,449,383	2.19%
Lancium Abilene LLC	Energy, Technology and Infrastructure	199,040,528	1.84%
AEP Texas Inc.	Electric Transmission & Distribution	161,674,260	1.50%
Great Lakes Cheese Co. Inc.	Food Processing	100,563,433	0.93%
Atmos Energy/Mid-Tex Distribution	Gas Distribution	64,795,296	0.60%
Great Lakes Cheese Co. Inc.	Food Processing	48,358,519	0.45%
Fehr Food Inc.	Food Processing	32,640,757	0.30%
The Lofts at Allen Ridge LLC	Apartments	31,911,000	0.30%
Lowes Home Centers, Inc.	Home Improvement Store	31,194,344	0.29%
Reserve at Abilene	Apartments	29,822,000	0.28%
		<u>\$ 936,449,520</u>	<u>8.66%</u>

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 BONDS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

Maximum Principal and Interest Requirements, All General Obligation Debt, 2026 ⁽¹⁾	\$ 35,181,114
\$.3304 Tax Rate at 98% Collection Produces	\$ 35,187,744
Maximum Principal and Interest Requirements, General Funded Purpose Debt, 2026 ⁽²⁾	\$ 15,984,214
\$.1501 Tax Rate at 98% Collection Produces	\$ 15,985,715

(1) Includes the Bonds and self-supporting debt, excludes the Refunded Obligations. See "Table 1 – Valuation, Exemptions and General Obligation Debt." Preliminary, subject to change.

(2) Includes the Bonds but excludes self-supporting debt and the Refunded Obligations. Preliminary, subject to change.

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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	2025/26 Taxable Assessed Value ⁽¹⁾	2024/25 Tax Rate ⁽¹⁾	Total Tax Debt As of 9/30/2025	Estimated % Applicable	City's Overlapping Tax Debt As of 9/30/2025	Authorized But Unissued Debt As of As of 9/30/2025
City of Abilene	\$ 10,812,925,522	\$ 0.7607	\$ 389,545,000 ⁽²⁾	100.00%	\$ 389,545,000 ⁽²⁾	\$ 20,000,000
Abilene Independent School District	6,535,639,632	1.0326	183,289,216	98.43%	180,411,575	-
Clyde Cons. Independent School District	724,858,212	0.9164	13,535,000	1.05%	142,118	-
Eula Independent School District	602,787,601	1.0783	24,994,500	42.59%	10,645,158	-
Hawley Independent School District	240,739,480	0.9425	3,345,000	1.09%	36,461	-
Jones County	1,383,438,951	0.0417	4,080,000	5.65%	230,520	-
Merkel Independent School District	620,679,433	0.8724	6,665,000	0.37%	24,661	-
Taylor County	15,316,944,561	0.5397	56,810,000	73.06%	41,505,386	-
Wylie Independent School District	3,069,258,749	0.8900	214,170,000	61.07%	130,793,619	54,000,000
Total Direct and Overlapping Tax Debt					\$ 753,334,496	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					6.97%	
Per Capita Overlapping Tax Debt					\$ 5,773	

(1) Source: Municipal Advisory Council of Texas.

(2) Includes the Bonds and self-supporting General Obligation Debt but excludes the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. (see "Table 1 – Valuation, Exemptions and General Obligation Debt").

If the City's General Purpose Funded Debt of \$157,990,000 is included in the calculation in place of Total Tax Debt of \$389,190,000, the following results:

Total Direct and Overlapping Tax Debt	\$ 521,779,496
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation	4.83%
Per Capita Overlapping Tax Debt	\$ 3,998

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DEBT INFORMATION

TABLE 8 - PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended							Less:			Less:			
							Less:			Downtown		Abilene	
							Waterworks and Sewer System			Hotel Convention Center General		Reinvestment Zone No. 2	General Purpose
	Outstanding Debt ⁽¹⁾			The Bonds ⁽²⁾			Grand Total	General	Obligation	General	Funded	Principal	
9/30	Principal	Interest	Total	Principal	Interest	Total	Requirements ⁽³⁾	Obligation Debt ⁽⁴⁾	Debt	Obligation Debt	Tax Debt	Retired	
2026	\$ 21,545,000	\$ 12,473,827	\$ 34,018,827		\$ 1,162,288	\$ 1,162,288	\$ 35,181,114	\$ 18,100,076	\$ 548,100	\$ 548,725	\$ 15,984,214		
2027	18,402,000	11,749,304	30,151,304	3,315,000	1,682,625	4,997,625	35,148,929	18,254,488	573,900	551,100	15,769,441		
2028	18,647,000	11,122,816	29,769,816	3,450,000	1,513,500	4,963,500	34,733,316	18,247,794	573,600	547,850	15,364,072		
2029	19,317,000	10,448,439	29,765,439	3,240,000	1,346,250	4,586,250	34,351,689	18,256,247	572,700	548,975	14,973,767		
2030	19,997,000	9,767,902	29,764,902	2,830,000	1,194,500	4,024,500	33,789,402	18,254,084	571,200	549,350	14,414,768	28.43%	
2031	20,387,000	9,083,192	29,470,192	2,970,000	1,049,500	4,019,500	33,489,692	18,241,229	574,000	548,975	14,125,487		
2032	20,885,000	8,380,220	29,265,220	3,120,000	897,250	4,017,250	33,282,470	18,179,601	571,100	547,850	13,983,920		
2033	21,520,000	7,651,814	29,171,814	3,280,000	737,250	4,017,250	33,189,064	18,159,611	503,900	550,850	13,974,703		
2034	22,130,000	6,892,224	29,022,224	3,450,000	569,000	4,019,000	33,041,224	18,020,520	502,400	547,975	13,970,329		
2035	22,930,000	6,093,682	29,023,682	3,630,000	392,000	4,022,000	33,045,682	18,027,253	500,300	549,225	13,968,903	60.34%	
2036	22,255,000	5,289,540	27,544,540	3,810,000	206,000	4,016,000	31,560,540	18,169,815	502,500	551,500	12,336,725		
2037	23,080,000	4,472,864	27,552,864	2,215,000	55,375	2,270,375	29,823,239	18,189,289	499,000	547,900	10,587,050		
2038	23,925,000	3,608,727	27,533,727	-	-	-	27,533,727	17,407,152	499,800	548,600	9,078,175		
2039	23,965,000	2,724,848	26,689,848	-	-	-	26,689,848	17,419,923		550,600	8,719,325		
2040	18,720,000	1,923,673	20,643,673	-	-	-	20,643,673	12,251,623		551,800	7,840,250	90.62%	
2041	13,430,000	1,300,300	14,730,300	-	-	-	14,730,300	7,545,875		547,300	6,637,125		
2042	8,210,000	846,209	9,056,209	-	-	-	9,056,209	3,374,059		552,000	5,130,150		
2043	6,815,000	509,120	7,324,120	-	-	-	7,324,120	1,646,870		550,800	5,126,450		
2044	5,505,000	241,825	5,746,825	-	-	-	5,746,825	1,201,625			4,545,200		
2045	2,570,000	61,200	2,631,200	-	-	-	2,631,200	1,204,375			1,426,825	100.00%	
	\$ 354,235,000	\$ 114,641,725	\$ 468,876,725	\$ 35,310,000	\$ 10,805,538	\$ 46,115,538	\$ 514,992,262	\$ 280,151,509	\$ 6,992,500	\$ 9,891,375	\$ 217,956,879		

- (1) Outstanding Debt includes self-supporting debt but excluded the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary; Subject to Change.
- (2) Preliminary, subject to change. Average life of the Bonds – ____ years. True Interest Cost of the Bonds has been calculated at ____%.
- (3) Includes the Bonds but excluded the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary, subject to change.
- (4) Includes the Waterworks and Sewer System portion of the Bonds but excludes the Waterworks and Sewer System portion of the Refunded Obligations. Includes \$410,000 in Certificates of Obligation at 0% interest rate financing through the Texas Water Development Board closing on December 4, 2025. Preliminary. Subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2026 ⁽¹⁾		\$ 15,984,214
Unaudited Interest and Sinking Fund Balance, 9/30/2025	\$ 3,176,267	
Calculated Interest and Sinking Fund Tax Collections, 9/30/2026	16,536,660	
Collection and Paying Agent Fees	(317,347)	
Estimated Investment Income	<u>207,297</u>	
		<u>\$ 19,602,877</u>
Estimated Balance, 9/30/2026		\$ 3,618,663

(1) Includes the Bonds, but excludes Self-Supporting Debt and the Refunded Obligations. Preliminary, subject to change.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Gross Income, Waterworks & Sewer System, Fiscal Year Ended 9/30/2025 ⁽¹⁾	\$ 78,890,815
Less: Net Operating Expenses, Waterworks & Sewer System, Fiscal Year Ended 9/30/2025 ⁽¹⁾⁽²⁾	<u>47,494,100</u>
Balance Available for Other Purposes	\$ 31,396,715
Waterworks and Sewer System General Obligation Requirements, Fiscal Year Ended 9/30/2026 ⁽³⁾	\$ 18,100,076
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%

(1) Unaudited; preliminary numbers.

(2) Unaudited. Excludes depreciation.

(3) Includes Waterworks and Sewer System portion of the Bonds but excludes Waterworks and Sewer System portion of Refunded Obligations. Preliminary, subject to change.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount Authorized	Amount Previously Issued	Amount Being Issued	Authorized But Unissued
5/3/2025	Airport	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
		<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT... 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.

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TABLE 12 - OTHER OBLIGATIONS⁽¹⁾**LOANS FROM DIRECT BORROWINGS**

During the year ended September 30, 2024, the City entered into an agreement with Axon Enterprise, Inc. to purchase equipment for the police department. The equipment will be paid for over a five-year period with annual payments of \$148,870 including interest of 3.3% with the first payment in January 2023 and the last payment in January 2027. The following is a schedule of Direct borrowing Loans outstanding at 9/30/2025:

Fiscal Year End 9/30	Principal	Interest	Total
2026	\$ 139,496	\$ 9,374	\$ 148,870
2027	144,107	4,763	148,870
	<u>\$ 283,603</u>	<u>\$ 14,137</u>	<u>\$ 297,740</u>

LEASES

The City has obtained office space, copiers and other equipment through long-term leases. The terms and conditions for these leases varies. These leases are fixed, periodic payments over the lease term, which ranges between 1-8 year. The City did not incur expense related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are no agreements that include sale-leaseback and lease-leaseback transactions.

As of September 30, 2025, the City had minimum principal and interest payment requirements for its governmental leasing activities as follows:

Fiscal Year Ended 9/30	Principal	Interest	Total
2026	\$ 212,074	\$ 12,327	\$ 224,401
2027	190,511	8,594	199,105
2028	158,514	5,381	163,895
2029	143,706	3,038	146,744
2030	119,986	845	120,831
	<u>\$ 824,791</u>	<u>\$ 30,185</u>	<u>\$ 854,976</u>

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has entered into Subscription-based information technology arrangements (SBITA) involving various desktop and server software, public safety, health, and financial software. As of September 30, 2025, all SBITA have fixed, periodic payments over the subscription periods, which range from 2 to 5 years and expire no later than fiscal year 2027.

Future subscription payments as of September 30, 2025, are as follows:

Fiscal Year Ended 9/30	Principal	Interest	Total
2026	\$ 1,319,655	\$ 68,043	\$1,387,698
2027	1,169,851	34,489	1,204,340
	<u>\$ 2,489,506</u>	<u>\$ 102,532</u>	<u>\$2,592,038</u>

RETIREMENT PLANS

Plan Descriptions

Texas Municipal Retirement System

The City provides pension benefits for all of its eligible employees, except firefighters, through a defined benefit cash-balance plan, one of 919 participating cities, administered by the Texas Municipal Retirement System Plan (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.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 December 1, 2019. 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 and their age at retirement and other actuarial factors. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a 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. Members may choose to receive their retirement benefit in one of seven payment options.

Abilene Firemen's Relief and Retirement Fund (AFRRF) - This plan provides retirement, disability, and death benefits. Members hired before February 1, 2019 receive Tier 1 Benefits. A Tier 1 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.

All new hires will accrue benefits under a Tier 2 benefit structure. A Tier 2 member is eligible for service retirement if they have completed 20 years of credited service and attained the age of 53. Key provision of the approved Tier 2 benefit structure are listed below:

<u>Benefit</u>	<u>Tier 2</u>
Normal Retirement Age	53 / 20 years of service
AFC Period	5 years
Benefit Accrual Rate	2.75% per year
Maximum Accrual Rate	55% of AFC
Longevity Supplement	\$80/month after 20 years

Effective January 1, 2020, the definition of compensation excludes deployment pay and overtime hours in excess of 288 for purposed of determining the highest average salary. The plans provisions for the City are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Employee deposit rate	7%	15.20% Oct 1, 2019
Matching ratio (City to employee)	2 to 1	
City's Contribution		21.25% Oct 1, 2019
A member is vested after	5 Years	20 Years
Service Retirement Eligibility (expressed as age/years of Service)	60/5, 0/20	Tier 1 50/20 Tier 2 53/20
Updated Service Credit	100% Repeating, Transfers	
Annuity increase to retirees	0% of CPI	0% of CPI

As of the most recent measurement data for the pension plans are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2023	October 1 2024
Retirees and beneficiaries currently receiving benefits	962	199
Inactive employees entitled to but not yet receiving benefits	923	9
Active employees	1,047	203
Total participants	2,932	411

Contributions

Texas Municipal Retirement System (TMRS) – The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

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 10.8% and 10.25% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$7,414,405 and were equal to the required contributions.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's contribution rate for fiscal years 2023 and 2024 was 21.25% 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 contribution rate was 15.2% of gross pay for fiscal years 2023 and 2024. 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, 2024 were \$4,224,158 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, 2023, 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, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of October 1, 2024.

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund	Total
Measurement Date	December 31, 2023	October 1, 2024	
Total Pension Liability	\$ 358,168,862	\$ 136,103,905	\$ 494,272,767
Fiduciary Net Position	337,002,385	63,815,815	400,818,200
Net Pension Liability	<u>\$ 21,166,477</u>	<u>\$ 72,288,090</u>	<u>\$ 93,454,567</u>

Actuarial Assumptions

Texas Municipal Retirement System

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

	Target Allocation	Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Marl	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100%	

Abilene Firemen's Relief and Retirement Fund

The Total Pension Liability in the October 1, 2024 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
Salary Increases	Service based
Discount Rate	7.5%
Investment Rate of Return	7.5%

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. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2024 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equities	42.5%	7.50%
International Equities	17.5%	8.50%
Domestic Fixed Income	15.0%	8.50%
Private Fixed Income	2.5%	2.50%
Global Fixed Income	2.5%	2.50%
Private Real Estate	10.0%	3.50%
Infrastructure	5.0%	4.50%
GTAA	5.0%	4.50%
Total	100%	

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 7.5%. 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 21.25% 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 7.50%; the municipal bond rate is 4.87% (based on the weekly rate closest to but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index); and the resulting single discount rate is 7.50%.

For more information concerning the City's Retirement Plans, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note 10.

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, 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 based upon the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

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 fiscal year 2025, the City's liability insurance was a "self-insured" retention for loss plan. The City has a liability insurance policy for bodily injury and property damage for the airport through Texas Municipal League Intergovernmental Risk Pool (TMLRP). The airport insurance coverage is \$1,000,000 per occurrence. Through TMLRP, the City has general liability and 31 error & omissions liability coverage at \$3,000,000 per occurrence, and law enforcement liability coverage at \$2,000,000 per occurrence. The City informally budgets for current claims based on actuarial valuations and historical data. The City incurred \$551,779 for liability claims and paid \$440,111 for liability insurance premiums for the year ended September 30, 2024. The City remains self-insured in regards to general and professional liability for claims under \$50,000 per occurrence.

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 \$11,501,999 in health and prescription claims and paid \$769,730 for administrative costs for the year ended September 30, 2024. The City contributed \$7,536,557 and City employees contributed \$3,284,053 to the health insurance program for the year ended September 30, 2024. Retirees and other agency contributions were \$169,816 for the year ended September 30, 2024.

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

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY⁽¹⁾

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	\$ 110,234,875	\$ 106,725,181	\$ 99,053,218	\$ 90,942,097	\$ 86,560,171
Licenses and Permits	1,499,949	1,736,412	2,063,257	1,928,230	1,710,152
Fines and Forfeitures	979,510	1,211,591	1,044,143	984,914	1,119,330
Charges for Services	1,490,936	1,687,153	3,137,217	4,201,614	3,649,911
Intergovernmental Revenues	175,436	7,010,041	4,604,442	16,872,054	2,392,152
Investments Earnings	2,816,436	-	-	-	-
Interest income leases	2,520	-	-	-	-
Donations and contributions	1,521	-	-	-	-
Assessments/Passenger Facility Charge	-	-	-	250	122
Interest and Miscellaneous	10,964,480	12,323,482	8,876,146	8,382,566	6,986,492
Total Revenues	\$ 128,165,663	\$ 130,693,860	\$ 118,778,423	\$ 123,311,725	\$ 102,418,330
Expenditures:					
General Government & Administration	\$ 17,080,585	\$ 16,565,179	\$ 15,688,660	\$ 5,387,712	\$ 5,558,400
Infrastructure & Development	11,835,269	10,625,811	9,593,282	-	-
Public Safety	66,971,207	62,636,061	60,080,122	-	-
Human Resources	-	-	-	1,922,493	1,806,687
Administrative Services	-	-	-	2,783,815	-
Finance	-	-	-	3,138,735	7,501,221
Planning and Development	-	-	-	2,439,041	2,375,946
Public Works	-	-	-	6,876,221	7,186,085
Facilities & Capital Improvement	-	-	-	-	-
Information Technology	-	-	-	1,767,898	2,148,756
Police	-	-	-	31,800,939	30,394,427
Fire	-	-	-	23,472,599	22,669,849
Transportation Services	-	-	-	2,238,819	2,008,041
Library	-	-	-	2,941,885	-
Community Services	18,644,213	17,020,610	17,756,179	11,573,040	12,118,518
Debt Service	245,800	200,000	155,000	-	-
Capital Outlay	139,266	-	-	-	-
Total Expenditures	\$ 114,916,340	\$ 107,047,661	\$ 103,273,243	\$ 96,343,197	\$ 93,767,930
Excess (Deficit) of Revenue over Expenditures	\$ 13,249,323	\$ 23,646,199	\$ 15,505,180	\$ 26,968,528	\$ 8,650,400
Other Financing Sources (Uses) ⁽²⁾	(19,474,233)	(18,355,830)	(10,628,485)	(25,441,237)	(5,776,380)
Fund Balance at Beginning of Year	\$ 46,150,644	\$ 40,860,275	\$ 35,983,580	\$ 34,456,289	\$ 31,582,269
Fund Balance at End of Year	\$ 39,925,734	\$ 46,150,644	\$ 40,860,275	\$ 35,983,580	\$ 34,456,289

- (1) Effective FY 2022, expenditures are being presented by program. The amounts for prior fiscal years have not been adjusted.
- (2) The City funded its CIP program with cash in the General Fund. It is the City's policy to maintain a General Fund balance equivalent to three months of operating costs of the general operating budget and any surplus is considered by the City Council to fund the City's CIP program.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. 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 Bonds.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2021	\$ 39,550,277	74.82%	\$ 0.5695	\$ 316
2022	44,360,312	80.33%	0.6065	355
2023	47,005,464	78.15%	0.5722	369
2024	44,704,256	68.59%	0.4823	346
2025	56,034,330	76.35%	0.5692	429

(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”.

FINANCIAL POLICIES

The City Council adopted the following Financial Policy on January 14, 2021, and amended on May 9, 2024.

General Policies

- (a) The City’s fiscal year shall begin October 1, and end September 30 of the following calendar year.
- (b) The City shall account for all revenue and expenditures on a budget basis, except in those instances where identified elsewhere in this policy.
- (c) The City shall adopt the budget on or before the 25th day in September of the previous budget year. Should the City Council fail to enact a budget within this time period, then the budget as submitted by the City Manager becomes the legally authorized budget.
- (d) The budget as adopted must set forth the appropriations for services, functions and activities of the various city departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants.
- (e) The budget shall balance upon adoption and at year’s end. At the close of each fiscal year, any unencumbered appropriation balance shall lapse and revert to the unassigned fund balance, unless Council designates the balance for other purposes.
- (f) The City shall comply with all applicable federal, state and local requirements in the conduct of its financial affairs and shall conform to the practices set forth by the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP).
- (g) The budget for all capital projects are legally adopted for specific projects using project length budgeting rather than fiscal year based budgeting. The unencumbered appropriated balance for capital projects does not lapse at fiscal year end,

rather they lapse at the conclusion of the project. Unencumbered appropriated balances at the conclusion of a capital project are transferred to the Minor Improvement Fund, the Utility Capital Development Fund, or such other fund as may be specified by the City Council.

(h) Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual budget as a financial plan for all proprietary funds. These budgets are used in a manner similar to commercial enterprises to determine whether their costs will be recovered or to estimate the amount of subsidy needed from the City, if costs are not meant to be recovered.

(i) The City shall strive to ensure that the taxpayers receive the full benefit of “qualified” tax-exempt debt issuances and do not subsidize the interest expense of other debt issuers using corporations created by the City on their behalf. Any differential in interest expense to the City between “qualified” 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.

(j) The budget document shall contain a fund summary sheet(s) that lists all funds, their beginning and ending balances, the anticipated revenues and the appropriated expenses authorized for the fiscal year being appropriated. It being the intent of this requirement that the taxpayer may see all sources and uses of public funds in one section of the budget document.

Long range planning

The City of Abilene shall conduct an annual strategic planning session at the start of the budget process in the early spring. Council shall consider current strategic goals, the adoption of additional goals, the current financial condition of the City, and the impact that current and future operating and capital needs will have on the financial condition of the City for the upcoming fiscal year and four subsequent years thereafter.

Budget reserves and capital project funds

(a) The City shall strive to maintain an unassigned fund balance of twenty-five (25%) percent of General Fund expenditures. A fund balance of less than twenty (20%) percent is cause for concern.

(b) The City shall strive to maintain an unassigned fund balance of twenty-five (25%) percent of Utility Fund expenditures. A fund balance of less than twenty (20%) percent is cause for concern.

(c) The City shall contribute 5% of sales tax receipts to a “Minor Improvement Fund” for general government related capital project purposes. In order to achieve this requirement without impacting the ability to provide essential services, the City shall phase in the contribution over a three-year period. For FY 2022, the contribution shall be 1.66%, for FY 2023 the contribution shall increase an additional 1.67%, and for FY 2025 the contribution shall increase an additional 1.67%. In the event transferring 5% of sales tax receipts into the Minor Improvement Fund, creates a financial hardship, the Council will be notified and will be asked to provide direction on whether or not to make the required transfer.

(d) The City shall contribute 5% of utility sales to a “Utility Capital Development Fund” for expansion of the utility system to unserved, or underserved areas, and for other related capital needs. In order to achieve this requirement without impacting the ability to provide essential services, the City shall phase in the contribution over a three-year period. For FY 2022, the contribution shall be 1.66%, for FY 2023 the contribution shall increase an additional 1.67%, and for FY 2025 the contribution shall increase an additional 1.67%. In the event transferring 5% of utility sales into the Utility Capital Development Fund, creates a financial hardship, the Council will be notified and will be asked to provide direction on whether or not to make the required transfer.

Capital Project Budgeting

(a) The City may consider the use of pay as you go financing by using the Minor Improvement Fund or Utility Capital Development Fund when prudent.

(b) The City shall schedule bond issues so that an equal principal amount is retired each year over the life of the issuance, thus producing a total debt service schedule with a declining balance each year. (This does not prohibit the issuance of new debt.)

Revenue Policies

Revenue diversification - The City shall seek ways to reduce its reliance on ad-valorem tax by pursuing and adopting alternative revenue streams as allowed by statute and entrepreneurial endeavors.

Fees and charges -

(a) The City shall review fee schedules every year through the budget process to ensure that all fees and service charges capture the revenue requirements set forth by the City Council.

(b) Fees and charges should recover direct costs and indirect costs. A cost of service study should be completed at least once every five years.

(c) The City will use the following methodologies to determine fees and charges:

(1) Full-cost and return on investment pricing — under most circumstances, enterprise services should be priced at full cost, including both direct and indirect costs associated with providing the service. A return on investment should also be considered.

(2) Partial-cost pricing — partial-cost pricing is the subsidy of a program or service with tax revenues, and it is justified

(1) When some of the benefits from the service accrue to the whole community, or (2) the City wants to stimulate demand for the service, or (3) enforcement of full-cost pricing will result in widespread evasion of the fee or charge, or (4) the service is primarily used by low-income households. Council shall determine how much a service should be subsidized, will use the following table to determine the amount of subsidy.

For each question in the table below, if answered in the affirmative.

25 points are assigned. The total points for all questions equals the percent discount off full-cost pricing for the program or service.

Question	Weight
Does a substantial portion of the program or service benefit the whole community?	25
Does the City need to stimulate demand for the program or service?	25
Will full cost pricing cause widespread evasion of the program or service?	25
Is the program or service primarily used by low income households?	25
Percent discount off full-cost pricing	100%

Use of one-time revenues and other unpredictable revenues

The City shall use one-time revenues (gas and oil royalties, cash settlements, etc.) for non-recurring capital purchases. At no time may the funds be used for recurring costs (salaries, dues, etc.), except for cases of emergency, and as authorized by the City Council.

Expenditure Policies

Current expenditures paid with current revenues

The City shall fund current operating expenditures with current operating revenues, approved grants or through the use of fund balance if specifically authorized by the City Council.

Regular financial reporting required

The City Manager, or his or her designee, shall provide a report on the financial conditions of the City of Abilene to the City Council no less frequently than once per quarter.

Department Heads responsible for adherence to the adopted budget

Department Heads are charged with budgetary responsibility for managing the expenditures of their departments. Department heads are expected to manage total expenditures within the limits established by City Council during the budget process for

that fiscal year. The department head shall notify the City Manager and Finance Director in writing as soon as possible when it is identified that total expenditures are expected to exceed the authorized limits of the adopted budget.

City Manager empowered to adjust allocations as necessary

The City Manager or his or her designee, is empowered to adjust budget allocations within departments, and from department to department, but is not authorized to increase total budget appropriations within a fund without prior Council approval. The City shall only expend funds, regardless of the funding source, if they have been appropriated for expenditure by the City Council.

Number of authorized positions established by the City Council

(a) The number of authorized full-time positions are established by the City Council during the annual budget process. Part time, seasonal or temporary positions are budgeted not by authorized positions, but by authorized total dollar amounts.

(b) The City Manager may employ the number of part time, seasonal or temporary employees necessary to perform the required work provided the City Manager does not exceed the total authorized dollar amount. Any increase of full-time positions above the City's authorized workforce must be approved by the City Council.

(c) The City Manager may reallocate authorized positions between departments, combine positions, or eliminate positions for the purpose of adding new positions or redistributing the workforce without Council approval, provided that the total authorized positions and the total appropriated funds do not exceed the levels approved by the City Council during the annual budget process, or as may otherwise be amended by the City Council.

Revenues collected in excess of revised budget.

Purpose

The purpose of this policy is to establish rules governing the use of revenues collected in excess of revised budget amounts for the General Fund in any given fiscal year.

Policy and Procedure

The City shall exercise sound, conservative principles and other recognized best practices when estimating revenues to be collected in any given fiscal year. It is recognized that the use of these principles have historically resulted in the collection of revenues in excess of budgeted amounts, and may continue to do so in the future. For any given fiscal year, it shall be the policy of the City Council of the City that the City shall collect and expense revenue in excess of amounts needed to balance expenditures as follows:

(a) Revenues to be set aside at annual audit

(b) Funds to be spent in accordance with an adopted funding program

1. The City Council shall adopt a funding priority list as part of the annual budget process for the upcoming fiscal year. The funding program shall consider unfunded budget requests, additional resources for recurring operating expenses, one-time capital expenditures, dedication of resources for capital replacement funds or other internal service funds.

2. The City Manager shall inform the City Council of the auditor's findings and present a recommended funding program based on Council's adopted funding priority list within 30 days of receiving the final audit. The City Manager may recommend a program that differs from the adopted Council funding priority list if, in the opinion of the City Manager, a business necessity exists.

3. The City Council may authorize the City Manager to expend revenue in excess of revised budget amounts, and in accordance with the City Manager's recommended funding program as amended and adopted by the City Council.

(c) Reserve requirement obligations

1. Nothing in this policy supersedes the City's obligation to maintain reserve requirements at their adopted levels.

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 Bonds of the State or its agencies and instrumentalities; (3) collateralized mortgage Bonds 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 Bonds 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) Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds described in clause (1), excluding Bonds 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) Bonds 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 Bonds 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 Bonds directly or through government investment pools that invest solely in such Bonds 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) Bonds whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) Bonds whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage Bonds that have a stated final maturity of greater than 10 years and (4) collateralized mortgage Bonds the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

ADDITIONAL PROVISIONS. . . Under 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

The City has not engaged in repurchase or reverse repurchase agreements and has never leveraged the portfolio. As of August 31, 2025, the City's investable funds were invested in the following categories:

Investment Type	Percent of Total Investments	Purchase Price	Fair Market Value
Government Agency Investments	12.46%	\$ 23,528,788	\$ 23,558,876
Local Government Investment Pools and Money Markets	73.19%	138,193,518	138,193,518
Other Invested Funds	14.34%	27,082,046	27,082,046
	100.00%	\$ 188,804,352	\$ 188,834,440

THE WATERWORKS AND SEWER SYSTEM

The City of Abilene owns and operates an integrated Waterworks and Sewer System (the “System”). Water supplies from surface reservoirs are treated and distributed; sewage is collected and treated before discharge.

THE WATERWORKS SYSTEM

WATER SUPPLY

The City’s water supply consists of (i) one lake owned by the City, Lake Fort Phantom Hill; (ii) Hubbard Creek Reservoir, owned by the West Central Texas Municipal Water District (the “WCT District”) and (iii) O.H. Ivie Reservoir owned by the Colorado River Municipal Water District (the “CR District”). These reservoirs provide the City with an annual daily average raw water safe yield capacity of 39 million gallons per day mgd.

Lake Fort Phantom Hill located in north Abilene, is a principal source of raw water. The lake has a 250 square mile drainage area on Elm Creek, a tributary of the Clear Fork of the Brazos River, and an estimated 2060 conservation storage capacity of 62,694 acre feet. Additional contribution inflows are made by diversions from Deadman Creek to the northeast and the Clear Fork of the Brazos River to the north when quantity and quality permit. Abilene’s portion of the lake’s estimated safe yield is 12,645 acre feet per year (11.3 mgd).

Hubbard Creek Reservoir (“Hubbard”), owned by the WCT District (member cities Abilene, Breckenridge, Albany and Anson), is situated on Hubbard Creek and Big Sandy Creek, tributaries of the Clear Fork of the Brazos River, 50 miles northeast of Abilene in Stephens County and has an estimated 2060 conservation storage capacity of 317,750 acre feet. The WCT District delivers raw water to the City through the Distribution Main Transmission System to a point near Lake Fort Phantom Hill in north Abilene; at this point, water is transmitted to the City’s water treatment plants; maximum daily water volume delivery from Hubbard is 30 mgd.

The City is entitled to the following amounts of water (based on the lake level of Hubbard):

<u>Elevation</u>	<u>Volume of Water (per year)</u>
1183-1170	25,451 acre feet per year
1170-1155	20,361 acre feet per year
1155-1153	15,271 acre feet per year
1153-1150	10,180 acre feet per year
1150-1148	5,090 acre feet per year

There is no minimum “take or pay” delivery volume. Cost of water to the City is calculated from a four part formula which includes a Stand-by Charge, an Operation Charge, a (electric service) Demand Charge, and a (electric service) Pumping Charge. In addition, the City is obligated to pay operating and maintenance expenses on a parallel 36” diameter pipeline and pumping and storage facilities that were constructed in 1986-1987 which enabled water delivery capability from Hubbard to increase from 15.5 mgd to 30 mgd. In 2016 the WCT District purchased the West Central Brazos Water Distribution System (WCBWDS) for which Abilene pays its proportional share of that expense on a monthly basis. All payments to the WCT District by the City are an operating expense of the System.

O.H. Ivie Reservoir. In 1991 the 554,340 acre feet O.H. Ivie Reservoir (“reservoir”) was constructed on the Colorado River in Coleman, Concho and Runnels Counties by the CR District. The City of Abilene has contractual rights to an estimated 10,900

acre feet per year (10 mgd) of water or 16.54% of the “Safe Yield” of the reservoir. In return the City is responsible for 16.54% of annual debt service plus its share of operating expenses for the reservoir. A raw water delivery system (transmission line and pumping facility) was constructed by the City in order to transport raw water to the City’s treatment facilities. This raw water delivery system will provide up to 20 mgd; additional pumping units can be added to deliver up to 24 mgd.

WATER TREATMENT. . . There are three water treatment plants currently providing Abilene’s customers potable water. The plants have a combined peak capability of treating approximately 51 mgd.

HIGH SERVICE PUMPING FACILITIES, STORAGE FACILITIES, DISTRIBUTION SYSTEM. . . There are seven high service pump stations and 2 booster pump stations with a combined rated firm capacity of 132 mgd. The System has a total of 32,900,000 gallons of ground storage capacity and 6,700,000 gallons of elevated storage. High service pumps at the treatment plants and pump stations discharge into large water transmission mains which distribute water throughout the City utilizing five pressure planes.

SPECIAL TREATED WATER CUSTOMERS (“CONTRACT CUSTOMERS”). . . Through individual contracts, the City supplies treated water to various customers outside the City limits, including the Cities of Merkel, Tye, Clyde and Baird and several water supply corporations. In addition, the City treats raw water for the City of Hamlin. Water is also supplied to Dyess Air Force Base and Texas Department of Criminal Justice facilities inside the City limits.

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TABLE 16 – MONTHLY WATER RATES

Water rates were increased for billings effective November 1, 2025 for consumption beginning in October 2025.

	Present Rates (effective 11-01-25)	Previous Rates (effective 11-01-24)
Residential ⁽¹⁾		
Customer Service Charge	Based on Meter Size ⁽²⁾	Based on Meter Size ⁽²⁾
Volume Charge:		
First 6,000 gallons	\$4.50 per 1,000 gals.	\$4.15 per 1,000 gals.
7,000 - 15,000 gallons	7.70 per 1,000 gals.	7.10 per 1,000 gals.
Over 15,000 gallons	10.80 per 1,000 gals.	9.95 per 1,000 gals.
Commercial ⁽¹⁾		
Customer Service Charge	Based on Meter Size ⁽²⁾	Based on Meter Size ⁽²⁾
Volume Charge:		
All consumption	\$7.70 per 1,000 gals.	\$7.10 per 1,000 gals.
Industrial, Manufacturing, and Institutions		
Customer Service Charge	Based on Meter Size ⁽²⁾	Based on Meter Size ⁽²⁾
Volume Charge:		
All Consumption	\$6.35 per 1,000 gals.	\$5.85 per 1,000 gals.
Yard Meter and Construction Water		
Volume Charge:		
All Consumption	\$9.35 per 1,000 gals.	\$8.65 per 1,000 gals.

(1) Residential category applies to all domestic housing of three units or less. Commercial category applies to business operations including residential housing with four units or more. For all categories, “Outside City Limits” rates are double the above rates for water consumption.

(2) Customer Service Charges:

Meter Size	Monthly Charge	Meter Size	Monthly Charge
5/8" or 3/4"	\$ 18.25	4 inch	\$ 243.00
1 inch	28.00	6 inch	452.00
1 1/2 inch	51.75	8 inch	734.00
2 inch	86.00	10 inch	990.00
3 inch	162.00		

TABLE 17 – HISTORICAL WATER CONSUMPTION

Fiscal Year Ending 09/30	Treated Water Consumption (Thousand Gallons)	Daily Average (Thousand Gallons)	Peak Day (Thousand Gallons)
2016	7,368,917	20,189	34,081
2017	7,341,818	20,115	31,159
2018	7,738,099	21,200	32,841
2019	7,545,379	20,672	35,402
2020	7,844,823	21,493	33,036
2021	7,756,560	21,251	36,947
2022	8,467,749	23,199	35,636
2023	8,020,215	21,973	34,236
2024	8,525,177	23,357	36,585

TABLE 18 – TOP TEN TREATED WATER CUSTOMERS ⁽¹⁾

Customer	Fiscal Year Ended September 30, 2024	
	Consumption (Thousand Gallons)	Billings
TDCJID ⁽²⁾	207,318	\$ 1,212,810
Coca Cola Southwest	124,441	727,980
Dyess AFB	92,403	540,558
Hendrick MC N	71,644	419,117
Abilene ISD	51,389	300,626
ACU	34,676	202,855
HSU	33,165	194,015
Western A.H. 406 LTD	26,449	187,788
Hendrick MC S	21,816	127,624
McMurry	20,401	119,346
	<u>683,702</u>	<u>\$ 4,032,720</u>

(1) Excludes City of Abilene treated water consumption which is metered and billed to General Fund supported activities.

(2) Texas Department of Criminal Justice prison system facilities.

TABLE 19 – TOP TEN SPECIAL TREATED WATER CUSTOMERS (“CONTRACT CUSTOMERS”)

Customer	Fiscal Year Ended September 30, 2024	
	Water Consumption (Thousand Gallons)	Billings
Steamboat Mountain WSC	273,006	\$ 2,306,901
Potosi WSC	187,094	1,580,944
City of Clyde	119,676	1,011,262
City of Merkel	101,178	854,954
View/Caps WSC	99,639	841,950
Hawley WSC	97,685	825,438
City of Baird	89,501	756,283
Hamby WSC	65,874	556,635
SUN WSC	55,825	471,721
Eula WSC	45,457	384,112
	<u>1,134,935</u>	<u>\$ 9,590,200</u>

AVERAGE MONTHLY CONSUMPTION

For Fiscal Year Ended September 30, 2024 average monthly residential consumption was 4,372 gallons, average monthly commercial consumption was 26,971 gallons, and the average monthly industrial consumption was 286,409 gallons.

THE SEWER SYSTEM

The sewer collections system covers essentially all the City except for around Lake Fort Phantom Hill and some remote areas. The System operates as a gravity flow system except for three small sewage lift stations and the prison lift station. Sewage flows through 36” to 48” outfall lines to a main pump station which pumps to the wastewater reclamation facility 4.8 miles northeast of the City.

WASTEWATER RECLAMATION PLANT

The plant has a permitted 22.0 mgd capacity and utilizes extended aeration, MBR filtration, and advanced treatment. Final effluent is discharged to either the Clear Fork of the Brazos River, Kirby Lake, or Fort Phantom Hill Reservoir, and is also used for irrigation on City farm land and/or adjoining private farm land, or as reclaimed water within the city limits of Abilene in accords to the Chapter 210 Authorization.

TABLE 20 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2025)

Residential	
Customer Service Charge	\$16.00 (minimum)
Volume Charge (Water Consumption)	
First 10,000 gallons	\$3.95 per 1,000 gallons
Over 10,000 gallons	No Charge
Commercial	
Customer Service Charge	\$16.00 (minimum)
Volume Charge (Water Consumption)	\$3.95 per 1,000 gallons
Industrial	
Customer Service Charge	\$16.00 (minimum)
Volume Charge (Water Consumption), All Use	\$3.95 per 1,000 gallons
Plus: Surcharge Rate if effective (based on type and strength of sewage):	
Biological Oxygen Demand	\$0.091/lb
Total Suspended Solids	0.067/lb
Fats, Oils and Grease	0.091/lb

TABLE 21 – DAILY AVERAGE SEWAGE FLOWS

Fiscal Year	Million Gallons Per Day
2015	11.557
2016	13.001
2017	13.138
2018	13.741
2019	15.766
2020	12.442
2021	12.73
2022	10.779
2023	12.044
2024	11.923

TABLE 22 – TOP TEN SEWER CUSTOMERS

Customer	Fiscal Year Ended September 30, 2024 Billings			
	Wastewater Charge	Surcharge	Total Billing	Volume ⁽²⁾ (Thousand Gallons)
TDC JID ⁽¹⁾	\$ 481,170	\$ 13,284	494,454	207,318
Coca Cola SW Beverage	72,368	77,331	149,699	124,441
Dyess AFB	160,973	-	160,973	92,403
Hendrick Medical Center N	145,629	-	145,629	71,644
Abilene ISD	149,220	-	149,220	51,389
City of Tye	81,154	5,601	86,755	39,883
ACU	60,528	-	60,528	34,676
Hardin Simmons	96,371	-	96,371	33,165
Wester A.H.406 LTD	76,894	-	76,894	26,449
ASSLC	64,378	6,416	70,794	22,133

(1) Texas Department of Criminal Justice prison system facilities.

(2) Wastewater charges are an estimation based on gallons consumed and multiplier.

TABLE 23 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenue					
Water Service	\$ 51,954,679	\$ 50,603,402	\$ 49,773,140	\$ 44,349,434	\$ 43,821,083
Sewer Service	19,334,218	17,947,716	16,351,628	13,951,233	12,942,060
Other Operating Revenues	922,402	1,364,309	983,700	946,009	772,818
Non-Operating Income	4,715,189	3,858,356	1,071,682	1,729,541	1,306,712
Gross Revenues	\$ 76,926,488	\$ 73,773,783	\$ 68,180,150	\$ 60,976,217	\$ 58,842,673
Operating Expenses ⁽¹⁾⁽²⁾					
Personal Services	12,579,232	11,609,024	9,745,925	10,094,591	9,753,510
Supplies	8,152,868	5,341,368	4,336,369	3,297,746	3,085,340
Purchased Services	8,985,193	-	-	-	-
Maintenance	-	4,654,187	3,747,926	3,123,501	3,451,433
Other Services and Charges	17,816,907	24,573,831	22,379,597	19,667,013	20,453,245
Total Operating Expense	<u>47,534,200</u>	<u>46,178,410</u>	<u>40,209,817</u>	<u>36,182,851</u>	<u>36,743,528</u>
Net Revenue	<u>29,392,288</u>	<u>27,595,373</u>	<u>27,970,333</u>	<u>24,793,366</u>	<u>22,099,145</u>
Water Customers	43,172	43,373	42,797	41,773	41,463
Sewer Customers	41,410	41,629	41,200	40,220	39,877

- (1) Operating Expenses: Excludes depreciation; includes all payments to the West Central Texas Municipal Water District, the Colorado River Municipal Water District, the Brazos River Authority, and the Fort Stockton Holdings LP.
- (2) There was change in grouping and reporting categories beginning in 2024.

TAX MATTERS

OPINION... On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion with respect to the Bonds that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds 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. See Appendix C -- Form of Bond Counsel's Opinion.

In rendering its opinion, 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 Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. 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 Bonds.

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 Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the projects financed with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, 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 Bonds 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 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the tax-exempt Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond 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 Bonds 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 Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bonds 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 Bonds was held by such initial owner) is includable in gross income.

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

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

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 Bonds. 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 BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporations' "adjusted financial statement income" determined section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, 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 Bonds, 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 Bonds 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 Bonds under Federal or state law and could affect the market price or marketability of the Bonds. 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 Bonds 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 Bonds 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 foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified 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 23 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 23 within six months after the end of each fiscal year ending in and after 2025. 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 2025. 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 23 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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds. 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 Bonds in the primary offering of the Bonds. 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 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 Bonds are rated "AA+" by Fitch Ratings ("Fitch") and "Aa2" by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. Applications have been made to Fitch and Moody's for contract ratings on the Bonds. 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 or marketability of the Bonds.

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.

CYBERSECURITY RISK MANAGEMENT

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

The City experienced a ransomware attack on April 18, 2025. As a result of the incident, certain of the City's data on the City's servers was encrypted and certain data deleted rendering certain encrypted files and the technology systems the City relies on inoperable. The City immediately took affirmative steps to address the issue, including taking certain systems offline as a proactive security measure and deploying advanced endpoint detection and response tools throughout its network environment. Outside experts have been engaged to assist with the investigation and the City's restoration efforts, both of which are ongoing.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Bonds 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 Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond, and to the effect that the Bonds are valid and legally binding Bonds of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel with respect to the Bonds, to like effect and to the effect that the interest on the Bonds 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 Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. 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 "THE BONDS" (exclusive of the last two sentences of the subcaption "Tax Rate Limitation" and the subcaptions "Book-Entry-Only System," "Bondholders' Remedies" and "Sources and Uses of Proceeds"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Matters" (exclusive of the last sentence of the first paragraph 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 Bonds 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 Bonds, such information conforms to the Ordinance. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

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

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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 Bonds, 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.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided by, and on all decisions and approvals of, the City. In addition, the Verification Agent has relied on any information provided by the City's retained advisors, consultants or legal counsel.

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/yields to the public shown on page 2 of this Official Statement, less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Bonds 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 (or yields higher) than the public offering prices or yields of such Bonds, and such public offering prices or yields 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.

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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Pricing Certificate will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Underwriters.

Pricing Officer
City of Abilene, Texas

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SCHEDULE OF REFUNDED OBLIGATIONS**General Obligation Refunding & Improvement Bonds, Series 2016**

Original Dated Date	Original Maturity (February 15)	Interest Rates	Principal Amount	Call Date	Call Price
September 15, 2016	2027	4.000%	\$ 2,170,000	1/29/2026	100%
	2028	4.000%	2,225,000	1/29/2026	100%
	2029	4.000%	1,935,000	1/29/2026	100%
	2030	4.000%	1,435,000	1/29/2026	100%
	2031	4.000%	1,490,000	1/29/2026	100%
	2032	3.500%	1,550,000	1/29/2026	100%
	2033	4.000%	1,605,000	1/29/2026	100%
	2034	3.500%	1,670,000	1/29/2026	100%
	2035	4.000%	1,735,000	1/29/2026	100%
	2036	4.000%	1,805,000	1/29/2026	100%
			<u>\$ 17,620,000</u>		

*Preliminary, Subject to change.

Combination Tax & Limited Surplus Revenue Certificates of Obligation, Series 2017

Original Dated Date	Original Maturity (February 15)	Interest Rates	Principal Amount	Call Date	Call Price
July 1, 2017	2027	5.000%	\$ 865,000	2/15/2026	100%
	2028	5.000%	910,000	2/15/2026	100%
	2029	5.000%	955,000	2/15/2026	100%
	2030	5.000%	1,005,000	2/15/2026	100%
	2031	5.000%	1,055,000	2/15/2026	100%
	2032	5.000%	1,110,000	2/15/2026	100%
	2033	5.000%	1,165,000	2/15/2026	100%
	2034	5.000%	1,225,000	2/15/2026	100%
	2035	5.000%	1,290,000	2/15/2026	100%
	2036	5.000%	1,355,000	2/15/2026	100%
	2037	5.000%	1,425,000	2/15/2026	100%
			<u>\$ 12,360,000</u>		

*Preliminary, Subject to change.

General Obligation Bonds, Series 2017

Original Dated Date	Original Maturity (February 15)	Interest Rates	Principal Amount	Call Date	Call Price
July 1, 2017	2027	5.000%	\$ 640,000	2/15/2026	100%
	2028	5.000%	670,000	2/15/2026	100%
	2029	5.000%	705,000	2/15/2026	100%
	2030	5.000%	740,000	2/15/2026	100%
	2031	5.000%	780,000	2/15/2026	100%
	2032	5.000%	820,000	2/15/2026	100%
	2033	5.000%	860,000	2/15/2026	100%
	2034	5.000%	905,000	2/15/2026	100%
	2035	5.000%	950,000	2/15/2026	100%
	2036	5.000%	1,000,000	2/15/2026	100%
	2037	5.000%	1,050,000	2/15/2026	100%
			<u>\$ 9,120,000</u>		

*Preliminary, Subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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	117,063	127,683
2020 Census	125,004	143,208
2025 Estimated	130,501	146,836

(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 oilfield manufacturing, pet foods, food packaging products, structural steel products, soft drinks and soft drink containers, bakery products, vegetable oil products, poultry and livestock feeds, tire retreading products, sprockets and gears, pressure vessels, and ski boats.

LABOR FORCE ESTIMATES

	Annual Averages					
	2025 ⁽¹⁾	2024	2023	2022	2021	2020
Abilene						
Civilian Labor Force	62,906	61,758	59,929	58,743	79,027	77,865
Total Employment	60,363	59,597	57,856	56,713	75,472	73,531
Unemployment	2,543	2,161	2,073	2,030	3,555	4,334
Percent Unemployment	4.0%	3.5%	3.5%	3.5%	4.5%	5.6%
Taylor County						
Civilian Labor Force	74,517	72,401	70,268	68,871	65,165	66,148
Total Employment	71,595	69,962	67,916	66,574	62,246	62,540
Unemployment	2,922	2,439	2,352	2,297	2,919	3,608
Percent Unemployment	3.9%	3.4%	3.3%	3.3%	4.5%	5.5%
State of Texas						
Civilian Labor Force	15,857,279	15,449,889	15,067,153	14,662,558	14,220,446	13,983,319
Total Employment	15,213,480	14,819,754	14,472,524	14,092,833	13,413,036	12,915,337
Unemployment	643,799	630,135	594,629	569,725	807,410	1,067,982
Percent Unemployment	4.1%	4.1%	3.9%	3.9%	5.7%	7.6%

⁽¹⁾Data through August 31, 2025

Source: Texas Workforce Commission; subject to revision.

ECONOMIC INDICES, CITY OF ABILENE

Calendar Year	Building Permits	Water Utility Connections
2020	\$ 269,586,252	41,394
2021	786,754,102	41,828
2022	344,221,553	42,763
2023	138,092,150	43,373
2024	3,001,238,329	43,172
2025 ⁽¹⁾	6,223,497,654	49,377

Source: The City.

(1) Figures as of September 30, 2025.

CITY OF ABILENE BUILDING PERMITS BY CLASSIFICATION

Year	Residential (Single-Family) Number of Units	Business Industrial and Apartments	Schools and Churches	Miscellaneous, Alterations and Repairs	Total
2020	356	\$ 136,010,683	\$ 88,490,554	\$ 45,085,015	\$ 269,586,252
2021	559	619,829,111	11,270,000	155,654,991	786,754,102
2022	452	271,645,382	9,529,180	63,046,991	344,221,553
2023	313	46,548,274	15,283,269	76,260,607	138,092,150
2024	209	2,915,027,065	10,962,500	75,248,764	3,001,238,329
2025 ⁽¹⁾	522	6,189,303,450	-	34,194,204	6,223,497,654

(1) Figures as of September 30, 2025.

TOP EMPLOYERS

Company	Type of Business	Estimated Employees
Dyess Air Force Base	Air Force Base	8,864
Hendrick Health System	Hospital	2,896
Abilene Independent School District	Public School	2,500
City of Abilene	City	1,500
State Supported Living Center	Mental Health	1,475
Texas Department of Criminal Justice	Prisons	1,187
Abilene Christian University	Private University	1,164
BlueCross BlueShield of Texas	Health Insurance Call Center	760
Wylie Independent School District	Public School	700
Taylor County	County	560

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 \$18.7 million in FY 2025.

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, fiber optics supported telecom, electrical capability and streetlights, and boasts such tenants as Texas Department of Transportation, Texas Healthcare Linen, Atmos Energy, Broadwind Towers, Pactiv Industries, Primal Pet Group, Amazon, Hartmann's Inc., Bavarian Polymers, and FedEx. The Park has about 422 acres available for new development.
- The Access Business Park is designed for high-end, upper-business class industrial development due to its location directly across from the Abilene Regional Airport and access to major highways. Great Lakes Cheese, a packaging and distribution facility, serves as the Park's anchor. The Park has about 45 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 constructed a downtown convention center hotel which opened in July 2023.

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, 2019 - 2024

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)
2020	348,083	163,017	13,676
2021	330,399	145,385	12,275
2022	303,948	101,022	10,653
2023	291,674	98,339	8,770
2024	113,527	34,831	3,125

Source: Texas Railroad Commission.

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 15,680 students and approximately 1,900 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 5,500 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 \$1.149 billion. 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

Hendrick Health System operates two major medical centers with a total of 850 licensed beds. They also operate an accredited nursing school and are 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 2022 were 76,000. 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. 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.

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APPENDIX B

EXCERPTS FROM THE

CITY OF ABILENE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Abilene, Texas Annual Financial Report for the Year Ended September 30, 2024, 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.

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Abilene, Texas (City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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 units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2024, 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.

We did not audit the financial statements of the Abilene Firemen's Relief and Retirement Fund, a fiduciary component unit of the City, which represent approximately 42% of the total assets, 48% of fund balance/net position, and 18% of the total revenues/additions of the aggregate remaining fund information of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the aggregate remaining fund information, insofar as it relates to the amounts included for the Abilene Firemen's Relief and Retirement Fund is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Abilene Convention Center Hotel Development Corporation, a discretely presented component unit of the City, and the Abilene Firemen's Relief and Retirement Fund, a fiduciary component unit of the City, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit for the year ended September 30, 2024, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards, 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 schedule of expenditures of state awards, as required by the *Texas Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards, and schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended September 30, 2024.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Abilene, Texas as of and for the year ended September 30, 2023 (not presented herein), and have issued our report thereon dated March 26, 2024, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended September 30, 2023, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 financial statements. The information was subjected to the audit procedures applied in the audit of the 2023 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2023.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections and the SEC disclosures but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Dallas, Texas
March 31, 2025**



MANAGEMENT'S DISCUSSION AND ANALYSIS



**CITY OF ABILENE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2024**

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, 2024. 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 \$29 million or 5% as a result of operations. This increase was made up of an increase in governmental activities net position of approximately \$12 million or 6% and an increase in our business-type activities net position of almost \$17 million or 5%. Additionally, total assets increased \$60 million or 6%, deferred outflows of resources decreased \$17 million, liabilities increased \$12 million or 2%, and deferred inflows of resources increased \$2 million.

The City's total revenues increased by \$2 million or 1% which is the combined result of a \$1 million decrease in governmental activities and over \$3 million increase in business-type activities revenue.

Total expenses of all City programs increased by \$19 million or 7%, which is primarily attributed to an increase in governmental activities expenses of \$15 million and a \$3 million increase in business-type activities.

The General Fund's revenues exceeded expenditures by \$13 million reduced by net transfers of (\$20) million, resulting in a net decrease to fund balance of \$6 million or 13%.

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 1%.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four 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 services and administration, infrastructure and development, public safety, and community 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, airport, solid waste services, stormwater services, and transit operations.

Component units – 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 and Abilene Convention Center Hotel Development Corporation in this section.

The government-wide financial statements can be found on pages 25-27 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 Services, Self-Insurance, and Technology Funds are consolidated with the governmental activities section.

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 and Statement of Changes in Fiduciary Net Position.

The fund financial statements can be found on pages 28-38.

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 40-80.

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 83-91 of this report.

Combining and individual statements and schedules presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 97-126 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 2024, the total primary government's net position was \$588 million, an increase of \$29 million over 2023. However, the largest portion of the City's net position is the net investment in capital assets (land, building, equipment and infrastructure), which is \$516 million. The net capital assets are not highly liquid; therefore they are not considered future available resources. An additional \$19 million of net position is subject to external restrictions on how the money is to be used. The remaining portion of net position of \$54 million may be used to meet the government's future obligations.

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

CITY OF ABILENE'S NET POSITION (in thousands)

	Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	Total Primary Government 2024	Total Primary Government 2023
Current and other assets	\$ 193,533	\$ 162,323	\$ 92,106	\$ 95,563	\$ 285,639	\$ 257,886
Capital assets & RTU assets	327,957	305,905	505,525	495,549	833,482	801,454
Total Assets	<u>521,490</u>	<u>468,228</u>	<u>597,631</u>	<u>591,112</u>	<u>1,119,121</u>	<u>1,059,340</u>
Deferred outflows of resources	<u>16,681</u>	<u>30,853</u>	<u>8,307</u>	<u>10,972</u>	<u>24,988</u>	<u>41,825</u>
Other liabilities	13,918	11,606	7,158	6,808	21,076	18,414
Noncurrent liabilities	300,859	277,554	226,610	240,682	527,469	518,236
Total Liabilities	<u>314,777</u>	<u>289,160</u>	<u>233,768</u>	<u>247,490</u>	<u>548,545</u>	<u>536,650</u>
Deferred inflows of resources	<u>5,757</u>	<u>3,813</u>	<u>1,432</u>	<u>1,050</u>	<u>7,190</u>	<u>4,863</u>
Net Position:						
Net investment in capital assets	215,482	194,078	300,230	284,394	515,713	478,472
Restricted	13,343	9,537	5,553	4,763	18,895	14,300
Unrestricted	<u>(11,189)</u>	<u>2,493</u>	<u>64,955</u>	<u>64,387</u>	<u>53,766</u>	<u>66,880</u>
Total Net Position	<u>\$ 217,637</u>	<u>\$ 206,108</u>	<u>\$ 370,738</u>	<u>\$ 353,544</u>	<u>\$ 588,374</u>	<u>\$ 559,652</u>

Governmental activities total assets increased by \$53 million. The increase in total assets is primarily attributable to an increase in restricted cash of \$37 million from bond proceeds and an increase in capital assets of \$22 million, which is discussed later in the MD&A.

Governmental activities total liabilities increased by \$26 million. The increase in total liabilities is primarily the result of the issuance of \$39 million of certificates of obligation to finance improvements at the Zoo. This increase was offset by a decrease in the net pension liability of almost \$17 million and principal payments on bonds of \$9 million related to governmental activities.

Deferred outflows of resources decreased by \$14 million while deferred inflows of resources increased by \$2 million due to changes in the net pension liability resulting from differences in projected and actual investment earnings. See pages 63-67 for information on the City's pension plans.

Governmental activities net position increased by \$12 million. Net investment in capital assets increased by \$21 million primarily due to street improvement projects.

Business-type activities total assets increased by \$7 million. Cash, cash equivalents, and investments decreased by \$5 million. This decrease was offset by an increase in net capital assets of \$10 million, primarily due to spending on capital projects for the Water and Sewer fund that were cash funded with surplus revenues.

Business-type activities total liabilities decreased by \$14 million. This decrease is primarily the result of current year debt retirements and a decrease in the net pension liability of almost \$3 million. Deferred outflow of resources decreased \$3 million and deferred inflow of resources increased less than \$1 million due to changes in the net pension liability resulting from plan contributions made after the actuarial measurement date and differences in projected and actual investment earnings.

Business-type activities net position increased by \$17 million. Net investment in capital assets increased by \$16 million, restricted net position decreased by \$1 million, and unrestricted net position had no significant change. The increase in total net position can be attributed to surplus revenues from operations in the Water and Sewer Fund.

Changes in Net Position

During fiscal year 2024, the total net position of the City increased by \$29 million, Governmental activities net position increased by \$12 million while Business-type activities net position increased by \$17 million. The following table summarizes the changes in net position:

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

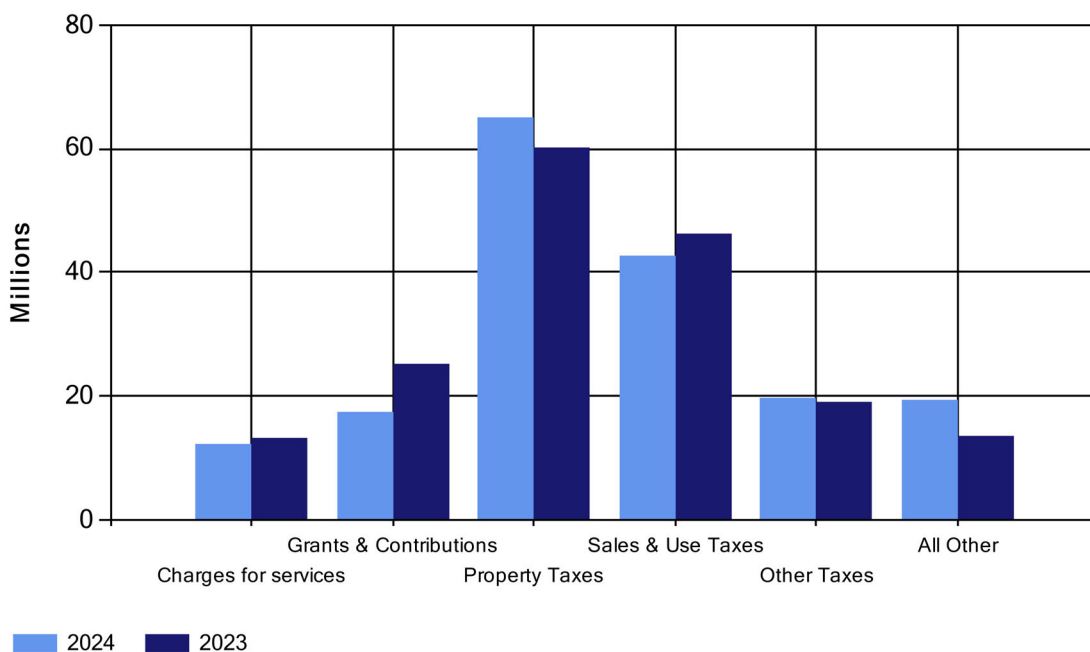
	Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	Total Primary Government 2024	Total Primary Government 2023
Revenues:						
Program Revenues -						
Charges for services	\$ 12,339	\$ 13,124	\$ 100,127	\$ 94,258	\$ 112,466	\$ 107,382
Operating grants and contributions	7,584	14,526	3,727	4,792	11,311	19,318
Capital grants and contributions	9,748	10,718	10,123	11,928	19,871	22,646
General Revenues -						
Property taxes	65,036	60,158	-	-	65,036	60,158
Sales and use taxes	42,686	46,429	-	-	42,686	46,429
Franchise fees	10,510	10,192	-	-	10,510	10,192
Miscellaneous taxes	9,177	8,781	-	-	9,177	8,781
Investment earnings	8,749	6,428	3,818	3,509	12,567	9,937
Miscellaneous	10,581	7,150	525	1,174	11,106	8,324
Gain on sale / retirement of capital assets	33	4	1,093	608	1,126	612
Total Revenues	176,441	177,510	119,414	116,269	295,855	293,779
Expenses:						
General Services and administration	32,282	25,824	-	-	32,282	25,824
Infrastructure & development	22,797	22,179	-	-	22,797	22,179
Public Safety	78,275	78,442	-	-	78,275	78,442
Community Services	26,947	20,687	-	-	26,947	20,687
Interest on long term debt	7,541	5,375	-	-	7,541	5,375
Water and Sewer	-	-	66,773	65,097	66,773	65,097
Airport	-	-	7,307	7,257	7,307	7,257
Solid Waste Services	-	-	15,311	14,585	15,311	14,585
Transit Services	-	-	6,589	6,136	6,589	6,136
Stormwater Services	-	-	3,309	3,012	3,309	3,012
Total Expenses	167,841	152,507	99,290	96,087	267,131	248,594
Increases in net position before transfers	8,600	25,003	20,124	20,182	28,724	45,185
Transfers	2,930	329	(2,930)	(329)	-	-
Increase in net position	11,529	25,332	17,194	19,853	28,724	45,185
Net position - October 1	206,108	180,776	353,544	333,691	559,652	514,467
Net position - September 30	\$ 217,637	\$ 206,108	\$ 370,738	\$ 353,544	\$ 588,376	\$ 559,652

Governmental Activities – Program Revenues and Expenses:

Governmental activities total revenues, both program and general, decreased by \$1 million, or 0.6%. The key factors for this change from fiscal year 2023 to 2024 are as follows:

- The City's property net taxable values increased for 2024 by \$1.054 billion or 13%. The tax rate to finance general governmental services decreased from .5988 per \$100 of assessed value to \$.5918 in 2024. The tax rate to finance the payment of long-term debt decreased from \$.1633 per \$100 of assessed value to \$.1410 in 2024. The combined tax rate decreased from \$.7621 per \$100 of assessed value in 2023 to \$.7328 per \$100 in 2024. The total effect of the increase in taxable value was an overall increase of \$5 million in property taxes collected.
- The City's sales and use taxes decreased by almost \$4 million or 8%. Most of the decrease is attributable to an audit assessment from the Texas State Comptroller which requires the City to refund sales taxes that were collected over fiscal years 2010 through 2013. The total assessment was over \$3 million with \$2.3 million allocated to the City and \$785k allocated to the DCOA. The remainder of the decrease in sales tax is attributed to declines in sales tax experienced in the latter months of 2024.
- Operating grants decreased by \$7 million or 48% primarily due to one-time funding in fiscal year 2023 from the American Rescue Plan Act (ARPA).
- Capital grants decreased by \$1 million primarily due to a decrease in developer contributions of street infrastructure.
- Investment earnings increased by \$2 million due to a higher interest rate environment.
- Miscellaneous revenues increased due to increased personnel recoveries primarily attributable to fire deployments.

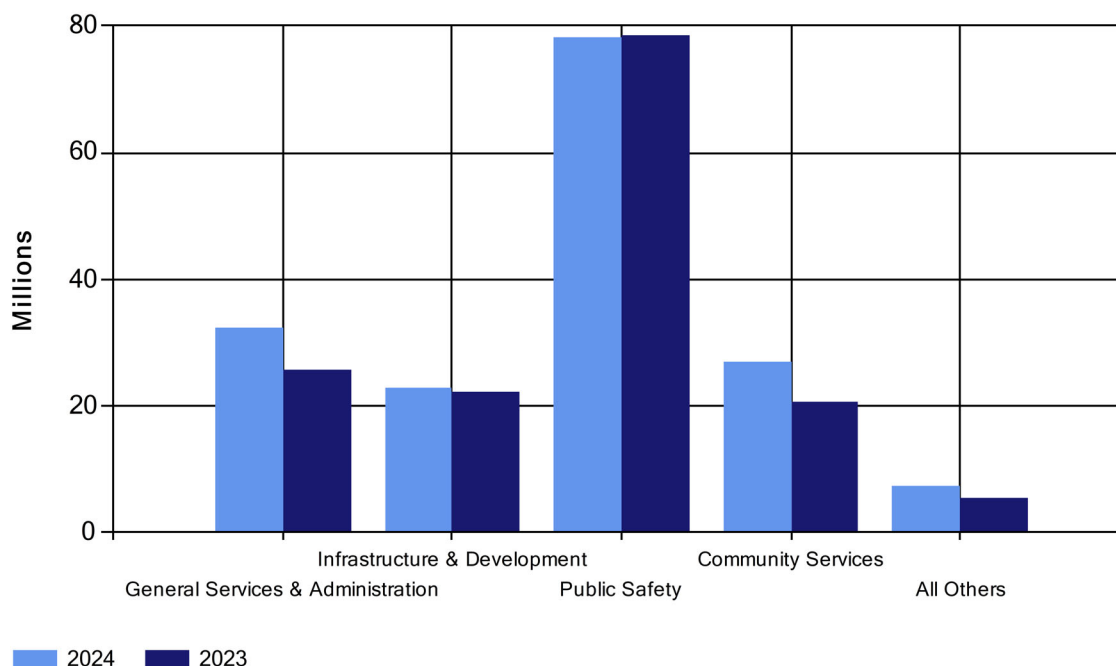
Governmental Activities REVENUES BY SOURCE



Governmental activities total expenses increased by \$15 million or 10%. The key factors for this increase are explained below:

- The change in the net pension liability decreased expenses across all programs by \$7 million.
- Costs for all programs includes an increase to personnel costs due to a market adjustment for all non-civil service personnel.
- Increases in Police & Fire salary structure due to Meet & Confer agreements increased Public Safety. Most of the increases in personnel costs for Public Safety were offset with the decrease in pension expense mentioned previously.
- General Services & Administration's includes an increase of \$6 million due to Chapter 380 economic development agreements. Most of the activity in 2024 is attributable to the agreement with All Kinds Animal Initiative for construction of the new pet adoption and resource center.
- Community Services includes a \$5 million one-time increase due to a Chapter 380 economic development agreement with the Abilene Youth Services Authority (AYSA) for the construction of soccer/flat field facilities.

Governmental Activities PROGRAM EXPENSE

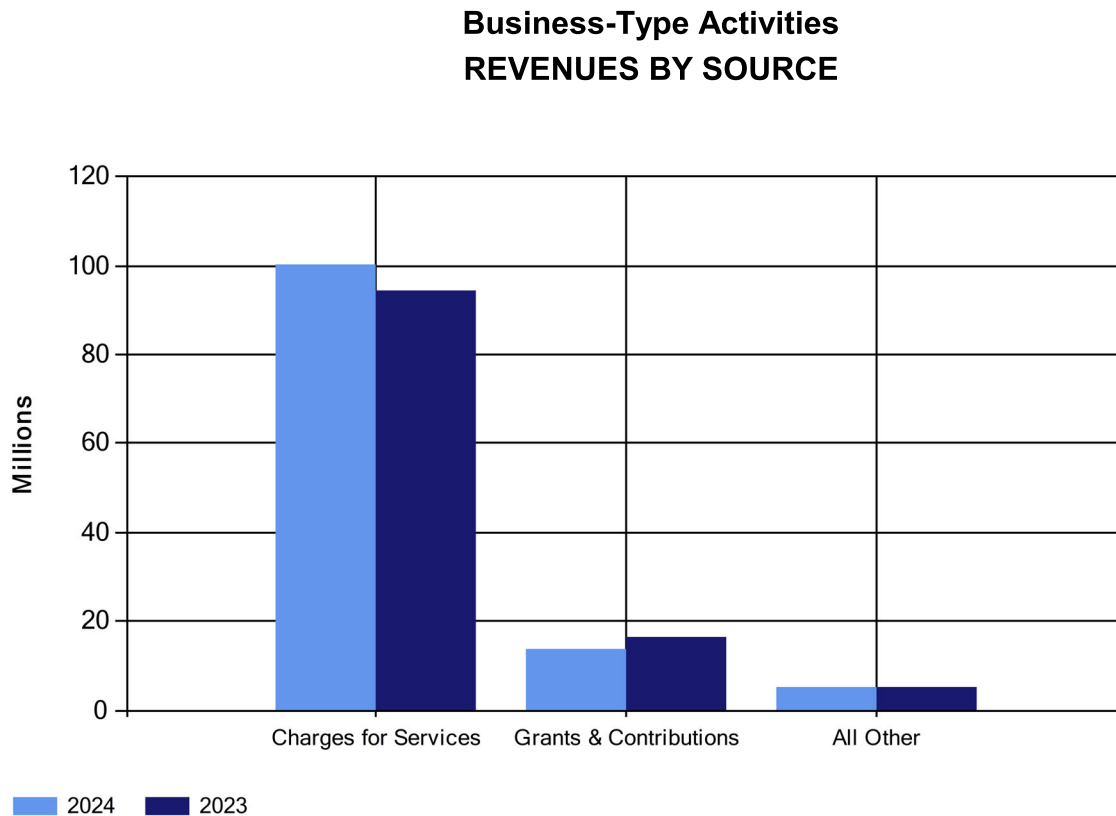


Business-type Activities - Program Revenues and Expenses:

Business-type activities revenues, both program and general, increased by \$3 million or 3%. The key factors for this are explained as follows:

- Water and Sewer charges for service increased over \$2 million due to rate increases.
- Solid Waste charges for service increased by over \$2 million due to rate increases.
- Airport charges for service increased by over \$1 million due to increases to parking and rental rates.
- Operating grants decreased by \$1 million due to the spend down of the remaining ARPA funds for the Airport in the prior year.

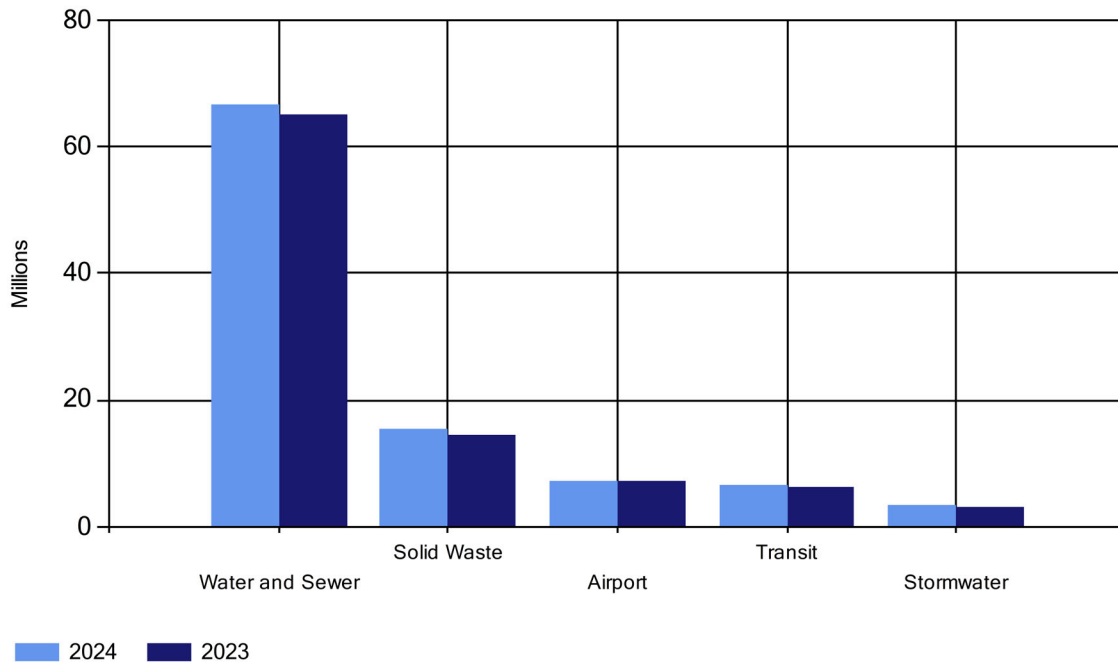
- Capital grants and contributions decreased by \$2 million due to a decrease in capital grants for the Airport and Transit.



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

- The Water and Sewer System expenses increased by almost \$2 million due to an increase in wholesale water purchases and market adjustments for personnel in 2024.
- Solid Waste Services expenses increased \$726 thousand or 5% due to a market adjustment for personnel.
- Stormwater expenses increased by \$297 thousand or 10% primarily due to an increase in equipment maintenance charges and a market adjustment for personnel.
- Transit expenses increased \$453 thousand or 7% primarily due to the write off of a project within construction in progress that will not be moving forward with construction.

Business-Type Activities EXPENSE



FUND FINANCIAL STATEMENTS

The City's fund financial statements beginning on page 28 show a combined fund balance in governmental funds of \$156 million, which is a \$30 million increase from 2023. Fund balances are considered Nonspendable, Restricted, Committed, 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. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. 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 \$156 million combined fund balance, \$157 thousand is Nonspendable, \$87 million is Restricted, \$5 million is Committed, \$25 million is Assigned and \$40 million is Unassigned.

The increase in total fund balance of \$30 million differs from the \$12 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 29. 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 2024	General Fund 2023	Capital Project Fund 2024	Capital Project Fund 2023	Nonmajor Governmental 2024	Nonmajor Governmental 2023	Total Governmental 2024	Total Governmental 2023
Revenues:								
Taxes	\$ 110,235	\$ 106,725	-	-	\$ 18,246	\$ 18,464	\$ 128,481	\$ 125,189
Intergovernmental	175	7,010	1,402	1,138	7,109	7,341	8,686	15,490
All other revenues	17,755	16,959	5,870	4,295	11,391	11,415	35,016	32,668
Total Revenues	<u>128,166</u>	<u>130,694</u>	<u>7,272</u>	<u>5,433</u>	<u>36,745</u>	<u>37,220</u>	<u>172,182</u>	<u>173,347</u>
Expenditures:								
Current	114,671	106,848	11,799	5,134	15,637	14,717	142,106	126,699
Debt Service	246	200	955	984	13,449	13,046	14,649	14,230
Capital Projects	-	-	30,622	42,571	-	-	30,622	42,571
Total Expenditures	<u>114,916</u>	<u>107,048</u>	<u>43,376</u>	<u>48,689</u>	<u>29,085</u>	<u>27,763</u>	<u>187,378</u>	<u>183,500</u>
Excess (Deficit) of Revenues								
Over Expenditures	13,249	23,646	(36,104)	(43,256)	7,659	9,457	(15,196)	(10,152)
Other Financing								
Sources (Uses)								
Issuance of debt / leases / subscriptions (net of refundings)	134.17	-	43,427	18,546	-	41	43,561	18,586
Proceeds from sale of capital assets	68	4	-	-	-	-	68	4
Transfers in	2,575	2,576	30,709	22,960	11,119	6,238	44,403	31,774
Transfers out	(22,251)	(20,936)	(2,953)	(1,927)	(17,632)	(10,390)	(42,836)	(33,253)
Total Other Financing	<u>(19,474)</u>	<u>(18,356)</u>	<u>71,183</u>	<u>39,578</u>	<u>(6,513)</u>	<u>(4,112)</u>	<u>45,195</u>	<u>17,111</u>
Net Change in Fund Balances	<u>(6,225)</u>	<u>5,290</u>	<u>35,078</u>	<u>(3,677)</u>	<u>1,147</u>	<u>5,345</u>	<u>30,000</u>	<u>6,958</u>
Fund Balances Beginning of Year	<u>46,150</u>	<u>40,860</u>	<u>63,185</u>	<u>66,862</u>	<u>16,765</u>	<u>11,419</u>	<u>126,099</u>	<u>119,142</u>
Fund Balances End of Year	<u>\$ 39,926</u>	<u>\$ 46,150</u>	<u>\$ 98,263</u>	<u>\$ 63,185</u>	<u>\$ 17,911</u>	<u>\$ 16,765</u>	<u>\$ 156,099</u>	<u>\$ 126,100</u>

Notable changes in the major and nonmajor governmental funds are as follows:

- General Fund total revenues decreased by \$3 million and expenditures increased by \$8 million.
 - Property tax revenues increased by \$5 million and sales tax decreased by \$2 million. See the Government-Wide-Financial-Analysis for an explanation of these increases.
 - Intergovernmental revenue decreased by \$7 million due to funding from the American Rescue Plan Act (ARPA) in 2023.
 - Investment earnings increased \$500 thousand due to a higher interest rate environment.
 - Current expenditures increased by \$8 million or 7% primarily due to increases in personnel costs as mentioned earlier in the discussion of changes in net position for governmental activities. Over \$1 million of the increase is attributable to an increase in overtime from fire deployments, which was reimbursed.
 - Net other financing uses increased \$1 million due to an increase in transfers out for capital projects.
 - Fund balance decreased \$6 million due to transfers to the Minor Improvement Project Fund. It is the City's policy to transfer out excess fund balance over the required reserve to cash fund capital projects.
- The Capital Project Fund revenues increased \$2 million and expenditures decreased by \$6 million.

- The increase in revenues is primarily due to investment earnings which increased over \$1 million due to a higher interest rate environment and higher balances from recently issued general obligation bonds.
- Capital project expenditures decreased \$12 million due to completed construction of the city facilities for the downtown hotel convention center project.
- Net other financing sources increased \$32 million primarily due to issuance of bonds in 2024.
- Nonmajor Governmental Fund revenues decreased by \$475 thousand and expenditures increased by \$1 million.
 - Taxes decreased \$218 thousand primarily due to a decrease in property tax. Lower debt service requirements decreased the I&S property tax rate for 2024.
 - Intergovernmental revenues decreased \$232 thousand million primarily due to lower grant reimbursements.
 - Current expenditures increased by \$1 million due to grant expenditures for the Defense Economic Adjustment Assistance Grant for projects supporting Dyess Air Force Base.
 - Other financing uses increased \$2 million due to an increase in transfers from the Street Maintenance Fund to the Capital Project fund for street projects.

The proprietary fund financial statements beginning on page 32 are consistent with the government wide financial statements with the exception that Internal Service Funds are included as a proprietary fund. Significant changes in the Internal Service Funds are as follows:

Net position of the Internal Service Funds increased by \$4 million or 11%.

- This increase is the result of positive net position increases in the Fleet Services Fund and Self Insurance Fund in the amounts of \$3 million and \$1 million, respectively. City management has spent considerable efforts to make these funds sustainable over the long-term by adjusting rates and charges to effectively fund current charges and build reserves for fluctuations in future costs. Additionally, the increase in the Fleet Services Fund is primarily attributable to several equipment purchases on order that had not yet been received at fiscal year end.

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 decreasing total revenues by \$2 million primarily to account for declines in sales tax revenues and decreasing total expenses by almost \$3 million to reflect cuts made to offset the declines in sales tax revenues. Other financing uses increased by \$9 million to fund capital projects. Actual budget basis revenues, expenditures, and other financing sources (uses) for 2024 resulted in a decrease in fund balance of \$6 million.

The General Fund's actual budget basis total revenues were \$129 million while budgeted total revenues were \$128 million. The positive variance of \$1 million was due to various categories of revenues doing slightly better than budget and investment income exceeding projections by \$300 thousand.

General Fund's actual budget basis expenditures before other financing sources (uses) were \$115 million while budgeted expenditures were \$116 million. The positive variance of \$1 million was due to savings from personnel vacancies and continued conservative spending.

CAPITAL ASSETS & RIGHT-TO-USE ASSETS

At the end of fiscal year 2024 the City had \$833 million invested in capital, lease, and subscription assets, net of accumulated depreciation and amortization. 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 7 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 2024	Governmental Activities 2023	Business- Type Activities 2024	Business- Type Activities 2023	Total Primary Government 2024	Total Primary Government 2023
Land	\$ 14,203	\$ 14,192	\$ 1,847	\$ 1,847	\$ 16,050	\$ 16,039
Easements	128	91	-	-	128	91
Construction in progress	32,033	63,443	25,762	28,690	57,795	92,133
Buildings and improvements	93,235	67,351	189,937	195,240	283,172	262,590
Leasehold improvements	439	610	-	-	439	610
Improvements other than buildings	19,073	17,509	270,672	251,059	289,745	268,568
Infrastructure	126,623	103,662	-	-	126,623	103,662
Machinery and equipment	8,162	7,503	3,443	3,743	11,605	11,246
Vehicles	26,295	26,297	1,215	1,675	27,510	27,972
Intangible Assets	32	57	12,649	13,295	12,682	13,352
Lease buildings	828	1,039	-	-	828	1,039
Lease equipment	235	420	-	-	235	420
Subscription asset	6,669	3,731	-	-	6,669	3,731
Total	<u>\$ 327,957</u>	<u>\$ 305,905</u>	<u>\$ 505,525</u>	<u>\$ 495,549</u>	<u>\$ 833,482</u>	<u>\$ 801,454</u>

The City's capital asset additions for fiscal year 2024 (net of construction in progress retirements) for its governmental activities and business-type activities were \$75 million.

Governmental activities capital assets increased by \$22 million, net of depreciation and construction in progress placed in service. The more significant additions were \$30 million for buildings which is primarily attributable to the downtown hotel convention center, \$32 million for street and traffic improvements, \$5 million for fleet vehicles and equipment, and \$6 million for right-to-use software subscriptions. An additional \$19 million in Construction in Progress was incurred in fiscal year 2024. At year end, Construction in Progress consisted primarily of \$22 million of street and traffic improvements, \$3 million of public safety improvements, and \$4 million of parks and recreation improvements.

Business-type activities capital assets increased by \$10 million, net of depreciation and construction in progress placed in service. The most significant additions were \$42 million in water & sewer system improvements, with \$30 million placed in service and another \$12 million added to Construction in Progress. At year end, Construction in Progress consisted of water and sewer system improvement projects totaling \$23 million and airport projects totaling \$3 million.

LONG-TERM OBLIGATIONS

At year end the City had \$527 million of long-term obligations, an increase of \$8 million or 2%. The table below reflects the long term obligations at year end:

Long-Term Obligations (in thousands)

	Governmental Activities 2024	Governmental Activities 2023	Business- Type Activities 2024	Business- Type Activities 2023	Total Primary Government 2024	Total Primary Government 2023
General obligation bonds	\$ 105,855	\$ 71,655	\$ 157,925	\$ 163,935	\$ 263,780	\$ 235,590
Certificates of obligation	57,950	60,610	57,115	61,820	115,065	122,430
Direct borrowing	419	549	-	-	419	549
Arbitrage rebate liability	2,137	640	280	116	2,417	756
Bond Premiums	17,648	14,875	5,594	6,263	23,243	21,138
Compensated absences	12,376	11,690	897	795	13,273	12,485
Liability for health claims	600	761	-	-	600	761
Workers compensation claims	2,020	3,409	-	-	2,020	3,409
State obligation	2,018	-	-	-	2,018	-
Lease liability	1,091	1,469	-	-	1,091	1,469
Subscription liability	4,463	2,437	-	-	4,463	2,437
Other post employment benefits	3,535	3,269	970	901	4,505	4,169
Net pension liability	89,626	106,191	3,829	6,853	93,455	113,044
Total	<u>\$ 299,737</u>	<u>\$ 277,554</u>	<u>\$ 226,610</u>	<u>\$ 240,682</u>	<u>\$ 526,348</u>	<u>\$ 518,237</u>

During 2024, the City issued \$39 million of general obligations bonds for zoo improvements and recreation centers. This increase was offset with \$19 million of principal payments for general obligation bonds and certificate of obligation bonds.

The net pension liability of the City was \$93 million as of the end of the fiscal year, which is determined based on actuarial valuations of the City's retirement plans, consisting of the Texas Municipal Retirement System and the Abilene Firemen's Relief and Retirement Fund. See Note 10, pages 63-67 for information on the City's pension plans.

The state obligation is an agreement between the City and the Texas State Comptroller to repay an audit assessment over a 42-month period beginning in April 2024, with \$2 million remaining at the end of the fiscal year.

The increase to the subscription liability of \$2 million is primarily attributable to the Tyler Technologies ERP and utility billing system, Microsoft enterprise licenses, and Heimdel security software initiatives.

The City's bond rating as evidenced by its most recent bond issuances continue to be AA+ by Fitch and AA2 by Moody's.

ECONOMIC FACTORS AND FISCAL YEAR 2024

The City considered many factors in setting the fiscal year 2025 budget. The most significant of these factors was creating a balanced budget in a declining sales tax environment that would continue to meet contractual obligations and maintain required services, with as minimal impact as possible to our community and employees. The General Fund operating tax rate for 2025 increased from \$.5918 per \$100 of assessed value to \$.5951 per \$100 of assessed value in 2024. Other factors considered were a 7% increase in the City's assessed property tax values and a 5% decrease in sales tax revenues. At the time the budget was developed the City had been experiencing sales tax declines and volatility, which prompted the City to make cuts to balance the budget. The General Fund budgeted revenues and expenditures, including transfers in/out were both set at \$132 million, with only a \$600 thousand increase over original 2024 budgeted expenditures. More recently, the City has started to see considerable increases in sales tax revenues, primarily attributable to economic development and construction projects in the area, and anticipates 2025 will perform much better than originally anticipated.

The Debt Service Fund tax rate for 2025 was increased from \$.1410 per \$100 of assessed value to \$.1656 due to the increased debt service requirements for the 2024 issuance of general obligation bonds for the zoo and recreation centers.

The Water and Sewer Fund's 2025 budgeted expenses and revenues are \$81 million including transfers, a \$432 thousand increase from 2024. The fund continues to finance capital projects through operating reserves to the extent possible. Any surplus operating revenues above reserve requirements are transferred out to fund capital projects. In an effort to ensure adequate funding is available for current operations and to meet the ongoing debt service requirements of the fund, the City adopted a five-year plan to adjust and increase water rates. With upcoming deadlines for compliance with PFAS regulations, further debt issuances are anticipated in the coming years due to the considerable capital investment that will be required to meet federal requirements within the specified timeframe.

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) 437-4913, or e-mail at Marjorie.Knight@Abilenetx.gov.

BASIC FINANCIAL STATEMENTS





CITY OF ABILENE, TEXAS
Statement of Net Position
September 30, 2024

Exhibit A-1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Development Corporation of Abilene	Abilene Convention Center Hotel Development Corporation
ASSETS					
Cash and cash equivalents	\$ 69,545,909	\$ 41,766,773	\$ 111,312,682	\$ 10,807,165	\$ 1,516,077
Investments	19,240,991	13,149,601	32,390,592	14,853,809	-
Receivables:					
Accounts receivable, net	15,712,912	14,372,236	30,085,148	2,776,131	226,893
Delinquent taxes receivable, net	1,638,567	-	1,638,567	-	-
Internal balances	2,350,195	(2,350,195)	-	-	-
Due from other governments	1,576,500	4,885,564	6,462,064	-	-
Inventories - materials and supplies	439,045	2,162,735	2,601,780	-	37,487
Deposits held in escrow	-	-	-	1,200,000	-
Prepaid items	347,541	34,920	382,461	478,694	131,470
Restricted Assets:					
Cash and cash equivalents	78,813,174	15,657,991	94,471,165	-	5,819,359
Investments	765,383	1,638,270	2,403,653	-	-
Lease receivable	648,388	788,550	1,436,938	22,753,486	-
Notes receivable	2,453,950	-	2,453,950	8,264,499	-
Capital, right-to-use lease and subscription assets					
Non-depreciable and amortized	46,364,746	27,608,601	73,973,347	5,592,102	-
Depreciable and amortized, net	281,592,470	477,916,185	759,508,655	30,898,532	39,912,523
TOTAL ASSETS	521,489,771	597,631,231	1,119,121,002	97,624,418	47,643,809
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	16,681,288	8,306,994	24,988,282	-	-
LIABILITIES					
Accounts payable	6,485,902	4,002,912	10,488,814	611,093	214,880
Retainage payable	971,348	812,910	1,784,258	-	-
Accrued expenses	2,369,878	850,144	3,220,022	35,685	991,247
Accrued interest	1,945,898	818,578	2,764,476	-	936,388
Other deposits and liabilities	248,444	287,304	535,748	-	-
Due to primary government	-	-	-	22,690	132,000
Unearned revenue	1,896,869	385,961	2,282,830	-	-
Noncurrent liabilities:					
Due within one year	14,303,996	11,076,330	25,380,326	6,176	215,286
Due in more than one year	286,554,666	215,534,118	502,088,784	55,588	49,849,303
TOTAL LIABILITIES	314,777,001	233,768,257	548,545,258	731,232	52,339,104
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	5,757,474	1,432,118	7,189,592	22,256,212	-
NET POSITION (DEFICIT)					
Net Investment in capital assets	215,482,469	300,230,338	515,712,807	36,490,634	(3,578,217)
Restricted for:					
Debt service	3,147,197	2,426,624	5,573,821	-	-
Capital projects	23,513	3,125,923	3,149,436	-	-
Economic development	-	-	-	38,146,340	-
Other purposes	10,172,033	-	10,172,033	-	1,168,508
Unrestricted (deficit)	(11,188,628)	64,954,965	53,766,337	-	(2,285,586)
TOTAL NET POSITION (DEFICIT)	\$ 217,636,584	\$ 370,737,850	\$ 588,374,434	\$ 74,636,974	\$ (4,695,295)

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

CITY OF ABILENE, TEXAS
Statement of Activities
For the Year Ended September 30, 2024

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General Services and Administration	\$ 32,282,070	\$ 587,304	\$ 1,242,972	\$ 886,195
Infrastructure and Development	22,796,866	8,930,067	1,624,087	8,406,115
Public Safety	78,274,727	1,993,605	3,910,214	-
Community Services	26,946,947	828,220	806,595	455,406
Interest and fiscal charges	7,540,756	-	-	-
Total governmental activities	167,841,366	12,339,196	7,583,868	9,747,716
Business-type activities:				
Water and Sewer Services	66,773,451	72,365,393	-	8,899,580
Airport	7,307,493	3,320,451	489,349	892,941
Solid Waste Services	15,310,820	20,360,590	-	-
Transit Services	6,588,900	492,410	3,237,310	330,764
Stormwater Services	3,309,061	3,587,710	-	-
Total business-type activities	99,289,725	100,126,554	3,726,659	10,123,285
Total primary government	\$ 267,131,091	\$ 112,465,750	\$ 11,310,527	\$ 19,871,001
COMPONENT UNITS:				
Governmental Activities				
Development Corporation of Abilene	26,104,530	3,818,871	-	-
Business-type Activities				
Abilene Convention Center Hotel Development Corporation	15,400,790	10,882,651	-	-
Total component units	\$ 41,505,320	\$ 14,701,522	\$ -	\$ -
General Revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales and use tax				
Franchise taxes				
Occupancy taxes				
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 (deficit)				
Net position (deficit), beginning of year				
Net position (deficit), end of year				

The accompanying notes are an integral part of the financial statements

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-type Activities	Total	Development Corporation of Abilene	Abilene Convention Center Hotel Development Corporation
\$ (29,565,599)	\$ -	\$ (29,565,599)	\$ -	\$ -
(3,836,597)	-	(3,836,597)	-	-
(72,370,908)	-	(72,370,908)	-	-
(24,856,726)	-	(24,856,726)	-	-
(7,540,756)	-	(7,540,756)	-	-
<u>(138,170,586)</u>	<u>-</u>	<u>(138,170,586)</u>	<u>-</u>	<u>-</u>
-	14,491,522	14,491,522	-	-
-	(2,604,752)	(2,604,752)	-	-
-	5,049,770	5,049,770	-	-
-	(2,528,416)	(2,528,416)	-	-
-	278,649	278,649	-	-
-	<u>14,686,773</u>	<u>14,686,773</u>	<u>-</u>	<u>-</u>
<u>\$ (138,170,586)</u>	<u>\$ 14,686,773</u>	<u>\$ (123,483,813)</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	(22,285,659)	-
-	-	-	-	(4,518,139)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,285,659)</u>	<u>\$ (4,518,139)</u>
\$ 52,802,733	\$ -	\$ 52,802,733	\$ -	\$ -
12,233,126	-	12,233,126	-	-
42,685,789	-	42,685,789	14,887,632	-
10,509,831	-	10,509,831	-	-
4,856,398	-	4,856,398	-	-
4,319,238	-	4,319,238	-	-
8,748,738	3,818,488	12,567,226	1,250,083	278,996
32,771	1,093,283	1,126,054	-	-
10,580,690	525,469	11,106,159	5,220	18,901
2,929,696	(2,929,696)	-	-	-
<u>149,699,010</u>	<u>2,507,544</u>	<u>152,206,554</u>	<u>16,142,935</u>	<u>297,897</u>
11,528,424	17,194,317	28,722,741	(6,142,724)	(4,220,242)
206,108,160	353,543,533	559,651,693	80,779,698	(475,053)
<u>\$ 217,636,584</u>	<u>\$ 370,737,850</u>	<u>\$ 588,374,434</u>	<u>\$ 74,636,974</u>	<u>\$ (4,695,295)</u>

CITY OF ABILENE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2024

Exhibit B-1

	2024			
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 23,631,447	\$ 19,085,818	\$ 10,053,892	\$ 52,771,157
Investments	5,672,448	6,159,872	1,992,735	13,825,055
Receivables (net):				
Accounts receivable	12,795,828	57,603	2,829,031	15,682,462
Property taxes receivable	1,638,567	-	-	1,638,567
Leases accounts receivable	126,357	-	522,031	648,388
Due from other funds	4,688,142	-	-	4,688,142
Due from other governments	42,977	194,141	1,339,382	1,576,500
Inventories - materials and supplies	3,087	-	-	3,087
Prepaid items	153,292	-	449	153,741
Notes receivable, net	-	594,672	1,859,278	2,453,950
Restricted assets:				
Cash and cash equivalents	-	76,434,482	2,378,692	78,813,174
Investments	-	-	765,383	765,383
TOTAL ASSETS	<u>\$ 48,752,145</u>	<u>\$ 102,526,588</u>	<u>\$ 21,740,873</u>	<u>\$ 173,019,606</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,634,116	\$ 3,007,045	\$ 670,532	\$ 5,311,693
Retainage payable	-	971,348	-	971,348
Accrued expenditures	2,233,564	-	77,961	2,311,525
Due to other funds	-	285,074	578,268	863,342
Other deposits and liabilities	153,422	-	95,022	248,444
Unearned revenue	-	-	1,896,869	1,896,869
Total Liabilities	<u>4,021,102</u>	<u>4,263,467</u>	<u>3,318,652</u>	<u>11,603,221</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	4,680,780	-	-	4,680,780
Leases	124,529	-	511,168	635,697
Total Deferred Inflows of Resources	<u>4,805,309</u>	<u>-</u>	<u>511,168</u>	<u>5,316,477</u>
FUND BALANCES:				
Non-spendable:				
Inventory	3,087	-	-	3,087
Prepays items	153,292	-	449	153,741
Restricted for:				
Debt service	-	-	3,147,197	3,147,197
Capital projects	-	73,636,382	-	73,636,382
Other purposes	-	-	10,172,033	10,172,033
Committed to:				
Other purposes	-	-	4,591,374	4,591,374
Assigned to:				
Capital Projects	-	24,626,739	-	24,626,739
Unassigned	39,769,355	-	-	39,769,355
Total Fund Balances	<u>39,925,734</u>	<u>98,263,121</u>	<u>17,911,053</u>	<u>156,099,908</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 48,752,145</u>	<u>\$ 102,526,588</u>	<u>\$ 21,740,873</u>	<u>\$ 173,019,606</u>

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

CITY OF ABILENE, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2024

Exhibit B-1 Continued

Total Fund Balances - Governmental Funds \$ 156,099,908

Amounts reported for governmental activities in the statement of net position (A-1)
are different because:

Capital, right-to-use lease and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.

Governmental capital, lease and subscription assets	\$ 518,783,695	
Accumulated depreciation and amortization	<u>(217,261,771)</u>	
		301,521,924

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.

1,337,641

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.

(1,726)

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	1,299,509	
Property taxes	1,400,348	
Fines and forfeits	<u>1,980,923</u>	
		4,680,780

Internal service funds are used by management to charge the costs of certain activities, such as equipment 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.

38,901,500

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(1,945,898)	
Compensated absences	(12,277,589)	
State obligation	(2,018,467)	
Arbitrage rebate liability	(2,136,867)	
Lease liability	(852,485)	
Subscription liability	(1,222,216)	
Direct borrowing	(418,637)	
General obligation bonds	(105,855,000)	
Certificates of obligation	(57,950,000)	
Unamortized premiums on bonds and certificate of obligations	<u>(17,648,388)</u>	
		(202,325,547)

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	(3,439,777)	
Net pension liability	(89,063,134)	
Deferred outflows of resources	14,975,631	
Deferred inflows of resources	<u>(5,050,616)</u>	
		<u>(82,577,896)</u>

Net Position of Governmental Activities		<u><u>\$ 217,636,584</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF ABILENE, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2024

Exhibit B-2

	2024			
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 110,234,875	\$ -	\$ 18,245,860	\$ 128,480,735
Licenses and permits	1,499,949	-	308,539	1,808,488
Fines and forfeitures	979,510	-	190,772	1,170,282
Charges for services	1,490,936	-	7,781,654	9,272,590
Intergovernmental revenues	175,436	1,401,611	7,108,544	8,685,591
Investment earnings	2,816,436	4,204,810	794,887	7,816,133
Interest income leases	2,520	-	8,419	10,939
Donations and contributions	1,521	1,581,905	1,967,565	3,550,991
Miscellaneous	10,964,480	83,218	338,680	11,386,378
Total Revenues	<u>128,165,663</u>	<u>7,271,544</u>	<u>36,744,920</u>	<u>172,182,127</u>
EXPENDITURES:				
Current:				
General Services and Administration	17,080,585	6,330,062	6,053,475	29,464,122
Infrastructure and Development	11,835,269	121,894	2,525,868	14,483,031
Public Safety	66,971,207	227,552	6,289,897	73,488,656
Community Services	18,644,213	5,119,556	700,417	24,464,186
Debt Service:				
Principal	230,430	489,090	7,870,530	8,590,050
Interest	15,370	41,513	5,344,395	5,401,278
Fees and other charges	-	424,047	233,670	657,717
Capital outlay	139,266	30,622,141	67,185	30,828,592
Total Expenditures	<u>114,916,340</u>	<u>43,375,855</u>	<u>29,085,437</u>	<u>187,377,632</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>13,249,323</u>	<u>(36,104,311)</u>	<u>7,659,483</u>	<u>(15,195,505)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	39,390,000	-	39,390,000
Bond premium	-	4,036,932	-	4,036,932
Issuance of debt for subscription financing	134,171	-	-	134,171
Proceeds from sale of capital assets	67,856	-	-	67,856
Transfers in	2,574,903	30,708,997	11,118,991	44,402,891
Transfers out	(22,251,163)	(2,953,279)	(17,631,949)	(42,836,391)
Total Other Financing Sources (Uses)	<u>(19,474,233)</u>	<u>71,182,650</u>	<u>(6,512,958)</u>	<u>45,195,459</u>
NET CHANGE IN FUND BALANCES	<u>(6,224,910)</u>	<u>35,078,339</u>	<u>1,146,525</u>	<u>29,999,954</u>
FUND BALANCES BEGINNING OF YEAR	<u>46,150,644</u>	<u>63,184,782</u>	<u>16,764,528</u>	<u>126,099,954</u>
FUND BALANCES END OF YEAR	<u>\$ 39,925,734</u>	<u>\$ 98,263,121</u>	<u>\$ 17,911,053</u>	<u>\$ 156,099,908</u>

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

CITY OF ABILENE, TEXAS
Reconciliation of Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2024

Exhibit B-2 Continued

Net Change in Fund Balances - Governmental Funds \$ 29,999,954

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 and capital disposals in the current period.

Capital acquisition	\$ 30,828,592	
Capital contributions	5,106,899	
Residual value of assets disposed of	(150,018)	
Depreciation	<u>(18,530,228)</u>	
		17,255,245

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	145,944	
Property Taxes	250,854	
Fines and forfeits	<u>(193,494)</u>	
		203,304

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	(39,390,000)	
Subscription financing	(134,171)	
Bond premiums	(4,036,932)	
Principal repayments	8,590,050	
Amortization of bond premiums and deferred loss and gain on bond refunding	<u>1,101,790</u>	
		(33,869,263)

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	(672,846)	
Change in accrued interest payable	(1,063,440)	
Issuance of other obligations	(2,018,467)	
Arbitrage rebate liability	<u>(1,496,942)</u>	
		(5,251,695)

Changes to Other Post Employment Benefit (OPEB) liability, net pension liability, OPEB and pension related deferred outflows and inflows of resources required the use of current financial resources but are not reported as expenses in governmental activities.

304,847

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, equipment replacement, information service and self-insurance to individual funds. The change in net position of most of the internal service funds are reported by function within governmental activities.

2,886,032

Change in Net Position of Governmental Activities	<u>\$ 11,528,424</u>
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The accompanying notes are an integral part of the financial statements.

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water and Sewer	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	
CURRENT ASSETS:						
Cash and cash equivalents	\$ 33,935,726	\$ 2,419,195	\$ 3,830,820	\$ 1,581,032	\$ 41,766,773	\$ 16,774,752
Investments	10,956,683	448,252	1,236,638	508,028	13,149,601	5,415,936
Accounts and lease receivable	11,607,674	242,949	3,324,632	590,648	15,765,903	29,595
Less allowance for uncollectibles	(867,824)	-	(354,679)	(64,442)	(1,286,945)	-
Due from other governments	-	214,672	-	4,670,892	4,885,564	-
Prepaid items	34,920	-	-	-	34,920	193,800
Inventories - materials and supplies	1,585,597	-	-	577,138	2,162,735	435,958
Restricted assets:						
Cash and cash equivalents	13,443,565	2,214,426	-	-	15,657,991	-
Investments	590,799	1,047,471	-	-	1,638,270	-
Total Current Assets	<u>71,287,140</u>	<u>6,586,965</u>	<u>8,037,411</u>	<u>7,863,296</u>	<u>93,774,812</u>	<u>22,850,041</u>
NONCURRENT ASSETS:						
Lease receivable	93,385	588,443	-	-	681,828	-
Capital, lease and subscription assets:						
Construction in progress	22,927,204	2,834,449	-	-	25,761,653	-
Land	1,260,204	-	202,506	384,238	1,846,948	-
Building and improvements	567,922,614	123,137,382	291,872	1,863,196	693,215,064	-
Machinery and equipment	4,517,174	1,561,179	3,255,916	7,587,917	16,922,186	50,404,607
Lease asset	-	-	-	-	-	444,256
Subscription asset	-	-	-	-	-	7,946,886
Intangible assets	31,461,175	13,160	-	468,126	31,942,461	-
Accumulated depreciation and amortization	(199,736,213)	(53,668,569)	(2,112,599)	(8,646,145)	(264,163,526)	(32,360,457)
Net Capital Assets	<u>428,352,158</u>	<u>73,877,601</u>	<u>1,637,695</u>	<u>1,657,332</u>	<u>505,524,786</u>	<u>26,435,292</u>
Total Noncurrent Assets	<u>428,445,543</u>	<u>74,466,044</u>	<u>1,637,695</u>	<u>1,657,332</u>	<u>506,206,614</u>	<u>26,435,292</u>
TOTAL ASSETS	<u>499,732,683</u>	<u>81,053,009</u>	<u>9,675,106</u>	<u>9,520,628</u>	<u>599,981,426</u>	<u>49,285,333</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows of resources	6,923,404	338,819	794,686	250,085	8,306,994	368,016
CURRENT LIABILITIES:						
Accounts payable	3,366,485	133,843	361,307	141,278	4,002,913	1,093,913
Retainage payable	812,910	-	-	-	812,910	-
Accrued expenses	293,839	111,730	402,217	42,358	850,144	58,353
Compensated absences	158,170	12,254	75,518	7,187	253,129	35,842
Accrued interest	818,578	-	-	-	818,578	79,440
Due to other funds	4,017	146,784	-	3,673,999	3,824,800	-
Other deposits and liabilities	262,773	-	24,135	396	287,304	-
Bonds payable	10,655,000	-	-	-	10,655,000	-
Lease liability	-	-	-	-	-	88,486
Subscription liability	-	-	-	-	-	1,561,674
Estimated liability claims	-	-	-	-	-	736,120
Estimated health claims	-	-	-	-	-	599,839
Arbitrage rebate liability	168,201	-	-	-	168,201	-
Total Current Liabilities Payable from Current Assets	<u>16,539,973</u>	<u>404,611</u>	<u>863,177</u>	<u>3,865,218</u>	<u>21,672,979</u>	<u>4,253,667</u>

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water and Sewer	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	
NON-CURRENT LIABILITIES:						
Compensated absences	339,275	81,648	179,766	43,054	643,743	62,500
Unearned revenue	385,961	-	-	-	385,961	-
Estimated liability claims	-	-	-	-	-	2,405,310
Arbitrage rebate liability	111,815	-	-	-	111,815	-
Bonds payable	209,979,448	-	-	-	209,979,448	-
Lease liability	-	-	-	-	-	149,709
Subscription liability	-	-	-	-	-	1,678,937
Other post employment benefits liability	575,313	90,102	232,923	71,746	970,084	95,280
Net pension liability	2,463,498	168,003	892,796	304,731	3,829,028	562,405
Total Non-Current Liabilities	<u>213,855,310</u>	<u>339,753</u>	<u>1,305,485</u>	<u>419,531</u>	<u>215,920,079</u>	<u>4,954,141</u>
Total Liabilities	<u>230,395,283</u>	<u>744,364</u>	<u>2,168,662</u>	<u>4,284,749</u>	<u>237,593,058</u>	<u>9,207,808</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows of resources	516,297	714,195	154,851	46,775	1,432,118	69,435
NET POSITION:						
Net investment in capital assets	223,057,710	73,877,601	1,637,695	1,657,332	300,230,338	22,956,486
Restricted for debt service	2,426,624	-	-	-	2,426,624	-
Restricted for capital projects	-	3,125,923	-	-	3,125,923	-
Unrestricted	50,260,173	2,929,745	6,508,584	3,781,857	63,480,359	17,419,620
TOTAL NET POSITION	<u>\$ 275,744,507</u>	<u>\$ 79,933,269</u>	<u>\$ 8,146,279</u>	<u>\$ 5,439,189</u>	<u>369,263,244</u>	<u>\$ 40,376,106</u>
Allocation of Internal Service funds net position					<u>1,474,606</u>	
Net position of business-type activities					<u>\$ 370,737,850</u>	

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

CITY OF ABILENE, TEXAS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2024

Exhibit B-4

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water and Sewer	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES:						
Charges for services	\$ 72,174,599	\$ 2,315,184	\$ 20,360,590	\$ 3,994,188	\$ 98,844,561	\$ 33,800,996
Other	36,700	-	-	-	36,700	-
Total Operating Revenues	72,211,299	2,315,184	20,360,590	3,994,188	98,881,261	33,800,996
OPERATING EXPENSES:						
Personnel services	12,579,232	1,914,719	5,108,951	1,432,612	21,035,514	2,695,744
Supplies	8,152,868	241,241	129,801	723,037	9,246,947	4,906,125
Purchased services	8,985,193	162,653	3,480,673	3,114,454	15,742,973	4,528,079
Other services and charges	17,816,907	903,127	7,037,964	4,327,288	30,085,286	17,406,824
Depreciation and amortization	12,993,667	4,114,181	287,517	511,692	17,907,057	4,686,216
Total Operating Expenses	60,527,867	7,335,921	16,044,906	10,109,083	94,017,777	34,222,988
OPERATING INCOME (LOSS)	11,683,432	(5,020,737)	4,315,684	(6,114,895)	4,863,484	(421,992)
NON-OPERATING REVENUES (EXPENSES):						
Investment earnings	3,125,514	290,625	288,686	113,663	3,818,488	932,607
Interest income leases	2,093	17,254	-	-	19,347	-
Intergovernmental revenue	-	967,634	-	3,528,339	4,495,973	60
Passenger facility charges	-	361,738	-	-	361,738	-
Car rental customer facility charges	-	228,555	-	-	228,555	-
Rents and royalties	118,027	230,895	-	-	348,922	-
Net gain (loss) on disposal of assets	1,093,133	-	150	-	1,093,283	(107,729)
Interest expense and paying agent fees	(6,527,565)	-	-	-	(6,527,565)	(102,611)
Miscellaneous revenue	376,422	387,153	5,155	125,084	893,814	2,478,118
Total Non-Operating Revenues (Expenses)	(1,812,376)	2,483,854	293,991	3,767,086	4,732,555	3,200,445
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	9,871,056	(2,536,883)	4,609,675	(2,347,809)	9,596,039	2,778,453
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Capital Contributions	8,899,580	333,042	-	39,735	9,272,357	-
Transfers in	-	145,640	-	2,096,780	2,242,420	1,423,248
Transfers out	(242,770)	-	(4,724,046)	(205,300)	(5,172,116)	(60,052)
Net Contributions and Transfers	8,656,810	478,682	(4,724,046)	1,931,215	6,342,661	1,363,196
CHANGE IN NET POSITION	18,527,866	(2,058,201)	(114,371)	(416,594)	15,938,700	4,141,649
NET POSITION, BEGINNING OF YEAR	257,216,641	81,991,470	8,260,650	5,855,783	353,324,544	36,234,457
NET POSITION AT END OF YEAR	\$ 275,744,507	\$ 79,933,269	\$ 8,146,279	\$ 5,439,189	\$ 369,263,244	\$ 40,376,106
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,255,617	
Change in net position of business-type activities					\$ 17,194,317	

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

CITY OF ABILENE, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

Exhibit B-5
Page 1

	Business-type Activities - Enterprise Funds					
	Water and Sewer	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 72,376,598	\$ 2,588,166	\$ 19,754,777	\$ 3,896,335	\$ 98,615,876	\$ -
Receipts from interfund services provided	-	-	-	-	-	33,771,401
Payments to suppliers	(36,286,772)	(1,296,753)	(10,529,268)	(8,823,310)	(56,936,103)	(11,869,104)
Payments to employees	(12,577,022)	(1,546,949)	(5,236,121)	(1,480,573)	(20,840,665)	(2,754,008)
Payments for loss claims	-	-	-	-	-	(12,926,816)
Net cash provided (used) by operating activities	23,512,804	(255,536)	3,989,388	(6,407,548)	20,839,108	6,221,473
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Intergovernmental receipts	-	967,634	-	1,318,533	2,286,167	-
Transfers in	-	145,640	-	2,096,780	2,242,420	1,423,248
Transfers out	(242,770)	-	(4,724,046)	(205,300)	(5,172,116)	(60,052)
Increase in due to other funds	-	-	-	2,917,774	2,917,774	-
Decrease in due to other funds	-	(378,110)	-	-	(378,110)	-
Other noncapital financing receipts (payments)	496,542	1,225,595	5,155	125,084	1,852,376	2,478,178
Net cash provided (used) by noncapital financing activities	253,772	1,960,759	(4,718,891)	6,252,871	3,748,511	3,841,374
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal paid	(10,715,000)	-	-	-	(10,715,000)	(1,929,807)
Interest and paying agent fees	(7,076,485)	-	-	-	(7,076,485)	(102,611)
Acquisition and construction of capital assets	(15,527,124)	(786,205)	(261,591)	(56,564)	(16,631,484)	(5,858,677)
Proceeds from sale of capital assets	1,127,699	-	150	-	1,127,849	435,468
Proceeds from capital grants	-	-	-	39,735	39,735	-
Net cash provided (used) by capital and related financing activities	(32,190,910)	(786,205)	(261,441)	(16,829)	(33,255,385)	(7,455,627)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash withdrawn from pooled investments	5,168,778	249,120	809,929	253,198	6,481,025	1,200,188
Interest on investments	3,125,514	290,625	288,686	113,663	3,818,488	932,606
Net cash provided by investing activities	8,294,292	539,745	1,098,615	366,861	10,299,513	2,132,794
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(130,042)	1,458,763	107,671	195,355	1,631,747	4,740,014
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	47,509,333	3,174,858	3,723,149	1,385,677	55,793,017	12,034,738
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 47,379,291</u>	<u>\$ 4,633,621</u>	<u>\$ 3,830,820</u>	<u>\$ 1,581,032</u>	<u>\$ 57,424,764</u>	<u>\$ 16,774,752</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:						
Current assets:						
Cash and cash equivalents	\$ 33,935,726	\$ 2,419,195	\$ 3,830,820	\$ 1,581,032	\$ 41,766,773	\$ 16,774,752
Restricted assets - cash and cash equivalents	13,443,565	2,214,426	-	-	15,657,991	-
	<u>\$ 47,379,291</u>	<u>\$ 4,633,621</u>	<u>\$ 3,830,820</u>	<u>\$ 1,581,032</u>	<u>\$ 57,424,764</u>	<u>\$ 16,774,752</u>

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

CITY OF ABILENE, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

Exhibit B-5
Page 2

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Water and Sewer	Airport	Solid Waste	Nonmajor Enterprise Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 11,683,432	\$ (5,020,737)	\$ 4,315,684	\$ (6,114,895)	\$ 4,863,484	\$ (421,992)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	12,993,667	4,114,181	287,517	511,692	17,907,057	4,686,216
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	132,939	272,982	(605,813)	(97,853)	(297,745)	(29,595)
Prepaid items	-	-	-	-	-	1,557,182
Inventory	(171,613)	-	-	(34,250)	(205,863)	80,522
Lease receivable	32,300	-	-	-	32,300	-
Deferred outflows of resources	1,671,242	310,021	514,942	168,385	2,664,590	246,985
Increase (decrease) in:						
Accounts payable	(1,364,845)	(71,901)	(10,930)	(642,473)	(2,090,149)	747,073
Accrued expenses	106,218	82,169	105,965	18,192	312,544	88,857
Compensated absences	83,465	1,088	25,786	(8,228)	102,111	13,138
Other deposits and liabilities	98,496	-	24,135	-	122,631	-
Estimated liability and health claims	-	-	-	-	-	(267,244)
Estimated health claims	-	-	-	-	-	(161,282)
Other post retirement benefits liability	41,666	6,720	16,129	5,040	69,555	7,728
Net pension liability	(1,811,438)	(292,167)	(701,202)	(219,126)	(3,023,933)	(335,993)
Deferred inflows of resources	17,275	342,108	17,175	5,968	382,526	9,878
Net cash provided (used) by operating activities	<u>\$ 23,512,804</u>	<u>\$ (255,536)</u>	<u>\$ 3,989,388</u>	<u>\$ (6,407,548)</u>	<u>\$ 20,839,108</u>	<u>\$ 6,221,473</u>
NONCASH TRANSACTIONS:						
Capital contributions from developers	\$ 8,899,580	\$ 333,042	\$ -	\$ -	\$ 9,232,622	\$ -
Capital lease and subscription issuance	-	-	-	-	-	4,136,499
Capital asset acquisitions included in liabilities	1,129,668	129,916	-	-	1,259,584	-

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

	Pension Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 9,171	\$ 3,892,570
Investments		
Pooled Investments	-	1,204,059
Mutual fund - bonds	10,037,948	-
Mutual funds	34,151,965	-
Other equities	5,186,289	-
Money market funds	231,244	-
Common stock	4,773,938	-
Private real estate	71,848	-
Private infrastructure	3,351,895	-
Core real estate	4,387,154	-
Private debt	1,581,729	-
Accounts receivable	37,378	285,020
Prepaid expense	61,335	-
TOTAL ASSETS	63,881,894	5,381,649
LIABILITIES		
Accounts payable	22,211	450,612
Accrued liabilities	43,868	-
TOTAL LIABILITIES	66,079	450,612
NET POSITION		
Restricted for:		
Pension benefits	63,815,815	-
Other organizations and governments	-	3,848,239
TOTAL NET POSITION	\$ 63,815,815	\$ 4,931,037

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

CITY OF ABILENE, TEXAS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended September 30, 2024

Exhibit B-7

	Pension Trust Fund	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 4,224,158	\$ -
Employee	3,021,516	-
Total contributions	7,245,674	-
Investment Income		
Net gain (loss) on fair value of investments	9,487,309	-
Interest and dividends	1,321,437	270,060
Other investment income	493,729	-
Less: investment expense	(232,271)	-
Net investment income	11,070,204	270,060
Hotel occupancy tax	-	1,294,924
Fees collected for other governments	-	2,313,587
Total additions	18,315,878	3,878,571
DEDUCTIONS		
Benefits paid including refunds of plan member contributions	8,606,315	-
Administrative expenses	131,334	3,646,057
Tax collections disbursed to other organizations	-	1,153,197
Other disbursements	-	101,489
Total deductions	8,737,649	4,900,743
Change in net position	9,578,229	(1,022,172)
Net position, beginning of year	54,237,586	4,870,411
Net position, end of year	\$ 63,815,815	\$ 3,848,239

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

CITY OF ABILENE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

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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 enterprise activities - the water and sewer utility system, the airport, solid waste, stormwater, and the transit system. These activities are included in the accompanying financial statements.

Blended Component Units

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

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 Zone 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.

Fiduciary Component Unit

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 of Trustees, composed of the Mayor (or his designee), Chief Financial Officer or his designee, three firefighters elected by majority vote of firefighters and two citizens, who must be approved by the majority of the five trustees. The Board of Trustees are subject to the administrative supervision of and report to the Texas Pension Review Board. 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. There is a fiscal dependency on the City, and there is a potential that exclusion would result in misleading financial reporting.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's component units. The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City or (ii) the component unit provides services entirely or almost entirely to the citizenry and not 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. City Council approves DCOA's annual operating budget and project expenditures in excess of \$500,000. DCOA is reported as a discretely presented component unit. Separate audited annual financial reports for the DCOA are available through the DCOA.

The Abilene Convention Center Hotel Development Corporation (ACCHDC) is a separate public, nonprofit corporation created in March 2019 by authority of the Texas Transportation Code for the purpose of aiding, assisting, and acting on behalf of the City of Abilene, Texas to promote the development of the geographic area of the City included at or in the vicinity of the Abilene Convention Center, in furtherance of the promotion, development, encouragement and maintenance of employment, commerce, convention and meeting activity, tourism and economic development in the City, including specifically, without limitation, the development and financing of a convention center hotel within 1,000 feet of the Abilene Convention Center. ACCHDC is governed by a board appointed by City Council. ACCHDC is reported as a discretely presented component unit. Separate audited annual financial reports for the ACCHDC are available through the City.

Related Organizations

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, the City is not financially accountable for the Authority, as the Authority's operations are subsidized by the federal government, the Authority establishes their own budget (subject to federal approval), the Authority establishes their rental rates, and has the ability to issue debt in the Authority's 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 are 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, pension trust fund, and custodial funds 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 met.

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, pensions and other postemployment benefit obligations, 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 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.

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 bonds and specific receipts and donations.

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.

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.

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 expenses associated with providing water and sewer services to the citizens of the City of Abilene.

Airport - The Airport Fund accounts for the revenues and expenses associated with the operations of the Abilene Regional Airport.

Solid Waste - The Solid Waste Fund accounts for the revenues and expenses associated with providing garbage removal services to the citizens of the City of Abilene.

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

Non-major Enterprise Fund - Transit - The Transit Fund accounts for the revenues and expenses associated with providing transit services to the citizens of the City of Abilene.

Non-major Enterprise Fund - Stormwater - The Stormwater Fund accounts for the revenues and expenses associated with providing quality and quantity of stormwater runoff due to ever-evolving regulations.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The internal service funds of the City include fleet services, self-insurance, and technology services.

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units. These include the following fund types:

Pension Trust Fund – is used to account for the assets held in trust for the members and beneficiaries of the Abilene Firefighter's Relief and Retirement Fund.

Custodial Funds – Custodial funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Custodial funds include venue taxes collected for the Abilene-Taylor County Events District and fees collected for the Abilene/Taylor County 911 Emergency Communication District.

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 of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Position and 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 transaction 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 Fund Balance

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, 2024.

U.S. Government Securities: Level 2 securities are valued by a pricing service which uses an estimation process that values securities 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, 2024:

Assets at Fair Value as of September 2024				
	Level 1	Level 2	Level 3	Total
U.S. Government Securities	\$ 24,085,750	\$ 11,912,554	\$ -	\$ 35,998,304
Total assets at fair value	\$ 24,085,750	\$ 11,912,554	\$ -	\$ 35,998,304

Investments – Abilene Firemen's Relief and Retirement Fund

Investments are valued at fair value determined by the following methods: investments traded on a national securities exchange are valued at the reported closing price as of the last business day of the year; and investments traded over-the-counter are valued at the last reported bid price. Mutual funds are reported at net asset value per share. Other investments are valued at cost plus or minus the Plan's share of realized and unrealized gains and losses.

Investment gains and losses arising from increases or decreases in the fair values from the beginning of the year to the end of the year and investment gains and losses arising from the sale or maturity of investments are reported as net appreciation or depreciation in the fair value of investments in the statements of changes in fiduciary net position.

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 proprietary funds. Cost is determined for inventories in the Internal Service Fleet Services Fund using the average cost method. The Fleet Services 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 a 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, Lease and Subscription Assets

Capital, lease assets and subscription 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, lease assets, and subscription assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, more than \$20,000 for buildings and improvements, more than \$25,000 for subscription software with an estimated useful life of more than one year. 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 and are charged to operations as incurred. Improvements and betterments which materially extend the useful lives of the capital assets or add value 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 or the lease/subscription term if shorter. Estimated useful lives for straight-line depreciation are as follows:

Buildings and improvements	5 to 50 years
Improvements other than buildings	10 to 40 years
Infrastructure	20 to 50 years
Transmission and distribution systems	5 to 50 years
Machinery and equipment	5 to 50 years
Vehicles	4 to 30 years
Intangibles	5 to 50 years
Leased assets	2 to 10 years
Subscription assets	2 to 5 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 two water rights contracts the City has entered into with the West Central Texas Municipal Water District ("WCTMWD") with a total cost of \$31,453,175. Under the first contract, dated September 29, 1959 and amended on August 22, 1985, the City was granted a maximum of 31,000,000 gallons of water per day from the Hubbard Creek Reservoir. In September 1985, the City entered into a second contract with the WCTMWD for a fifty-year assured water supply agreement granting a 16.54% interest in the O.H. Ivie Reservoir water rights. The asset amortization period is 50 years.

Leases

Leases are defined by the general government as the right to use an underlying asset. As lessee the City recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximates the incremental borrowing rate, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life the underlying asset.

The City calculates the amortization of the discount on the lease liability and report that amount as outflows-of-resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

As lessor, the City recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

For lease contracts that are short-term, the City recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

Leases between the Abilene Regional Airport and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASB Statement No. 87, the Airport recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies do not apply to regulated leases.

Subscription-Based Information Technology Arrangements

SBITA assets are defined by the general government as the right to use vendor-provided information technology ("IT") with access to vendors' IT assets. The City recognizes a subscription liability and an intangible subscription right-of-use asset at the beginning of the subscription term that have a term exceeding one year and the cumulative future payments on the contract exceed \$25,000 unless the contract is considered a short-term SBITA. A SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, plus subscription payments made at or before commencement of the SBITA, less any SBITA vendor incentives received and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. The SBITA is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Re-measurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

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 assets that applies to a future period and 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.
- Difference between expected and actual experience for the pension liability - These effects on the pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- 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.
- Changes in actuarial assumptions used to determine net pension liability - This difference is deferred and amortized over a five year period.

In addition to liabilities, the statement of net position and the governmental funds balance sheet 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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City had five 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, and consists of the difference between expected and actual experience and changes in actuarial assumptions. The third item qualifies as deferred inflows of resources as a result of implementing GASB Statement No. 75. These deferred inflows related to OPEB liabilities and consist of the difference between actual and expected experience and changes in actuarial assumptions. The fourth 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 fifth item relates to deferred inflows on leases. At the beginning of the lease term, a deferred inflow of resources is recorded and recognized as inflows on a straight-line basis over the term of the lease.

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

	Governmental Activities	Business Activities				Non-Major Enterprise Fund	Total
		Water and Sewer	Airport	Solid Waste			
Deferred Outflows of Resources							
Deferred outflows from pension activities	\$ 14,961,035	\$ 2,000,391	\$ 331,109	\$ 770,412	\$ 242,799	\$	3,344,711
Deferred outflows from OPEB activities	382,612	61,545	7,710	24,274	7,286		100,815
Unamortized deferred bond refunding cost	1,337,641	4,861,468	-	-	-		4,861,468
Total Deferred Outflows of Resources	<u>\$ 16,681,288</u>	<u>\$ 6,923,404</u>	<u>\$ 338,819</u>	<u>\$ 794,686</u>	<u>\$ 250,085</u>		<u>\$ 8,306,994</u>
Deferred Inflows of Resources							
Deferred inflows from pension activities	\$ 4,190,729	\$ 238,718	\$ 38,605	\$ 92,174	\$ 28,954	\$	398,451
Deferred inflows from OPEB activities	929,322	154,046	24,194	62,677	17,821		258,738
Deferred inflows from refunding	1,726	-	-	-	-		-
Deferred inflows from leases	635,697	123,533	651,396	-	-		774,929
Total Deferred Inflows of Resources	<u>\$ 5,757,474</u>	<u>\$ 516,297</u>	<u>\$ 714,195</u>	<u>\$ 154,851</u>	<u>\$ 46,775</u>		<u>\$ 1,432,118</u>

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 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 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.

Adoption of New Accounting Standards

The City has adopted and implemented the following statement during fiscal year ended September 30, 2024:

GASB Statement No. 100, *Accounting Changes and Error Corrections*—and amendment of GASB Statement No. 62 – This statement improves the clarity and requirements for accounting changes and error corrections. The adoption had no effect on the City.

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 and from department to department, but is not authorized to increase total appropriations within a fund without prior Council approval. 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 and Grants Fund, Transportation Planning Fund, Court Fund, Seized Fund, Hotel Occupancy Tax Fund, Downtown Hotel Operations Fund and Street Maintenance Fee 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 *Accounting and Financial Reporting for Nonexchange Transactions*. Adjustments necessary to convert the change in fund balance from budget basis to GAAP basis are presented in the Notes to the Required Supplementary Information.

Encumbrances

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

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

Nature and Purpose of Classifications for Fund Balance

The following classifications describe the relative strength of the spending constraints placed on fund balance and 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, 2024.

	Non-Major Governmental Funds				Total Non-major Govt Funds	Total
	General	Capital Projects	Special Revenue	Debt Service		
Fund Balance						
Non-spendable:						
Inventory	\$ 3,087	\$ -	\$ -	\$ -	\$ -	\$ 3,087
Prepaid items	153,292	-	449	-	449	153,741
Restricted for:						
Debt service	-	-	-	3,147,197	3,147,197	3,147,197
Capital projects	-	73,636,382	-	-	-	73,636,382
Public safety	-	-	2,201,681	-	2,201,681	2,201,681
Economic development	-	-	7,810,514	-	7,810,514	7,810,514
Community services	-	-	51,867	-	51,867	51,867
Other purposes	-	-	107,971	-	107,971	107,971
Committed for:						
Streets maintenance	-	-	3,364,476	-	3,364,476	3,364,476
Other purposes	-	-	1,226,898	-	1,226,898	1,226,898
Assigned to:						
Capital projects	-	24,626,739	-	-	-	24,626,739
Unassigned	39,769,355	-	-	-	-	39,769,355
	<u>\$ 39,925,734</u>	<u>\$ 98,263,121</u>	<u>\$ 14,763,856</u>	<u>\$ 3,147,197</u>	<u>\$ 17,911,053</u>	<u>\$ 156,099,908</u>

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) bonds issued, assumed, or guaranteed by the State of Israel, (7) interest bearing bank deposits or 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, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending program that is 100% collateralized, can be terminated at any time, and placed through a primary government securities dealer or a financial institution in the state of Texas, and has a term of one year or less, (10) 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, (11) 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, (12) no-load money market mutual funds registered with the Securities and Exchange Commission, (13) no-load mutual funds registered with the Securities and Exchange Commission with an average weighted maturity of less than two years and a duration of (a) one year or more if invested exclusively in obligations approved in this section or (b) less than one year if investment portfolio is limited to investment grade securities, excluding asset-backed securities, (14) 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 (15) 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 had a carrying value of \$10,087,220 at year end and 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:

Authorized Investment Type	Per Policy		At September 30, 2024	
	Maximum Maturity	Maximum % of Portfolio	Maximum Maturity	% Of Portfolio
Local Government Investment Pools		100%	1 day	43%
Certificates of Deposit	1 year	50%	1 year	0%
U.S. Government Securities	2-10 years	100%	4 years	23%
Money Market Mutual Funds	Weighted Average 90 days	15%	n/a	2%
Money Market			1 day	32%

For short term liquidity requirements, the City voluntarily participates in two local government investment pools. TexPool was created to invest funds on behalf of Texas political subdivisions. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operation, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the fair value to report net position to compute share prices. TexPool allows for same day or next day redemptions and deposits. As of September 30, 2024, TexPool's portfolio maintained a weighted average maturity of approximately 36 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. The fair value of the position of TexStar is measured at net asset value and is designed to approximate the share value. The pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds. As of September 30, 2024, TexStar's portfolio maintained a weighted average maturity of approximately 35 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, 2024, 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 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.

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.

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.

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 equivalents and investments in the accompanying financial statements.

Cash and cash equivalent balances at September 30, 2024 are as follows:

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Custodial Funds	Total
Petty Cash	\$ 17,142	\$ -	\$ 1,050	\$ 2,950	\$ 440	\$ -	\$ 21,582
Deposits	6,041,713	26,316	3,895,197	17,119	1,509	105,366	10,087,220
Pooled Fund Cash							
Equivalents	17,572,592	19,076,725	8,536,337	45,799,954	16,772,803	3,728,893	111,487,304
TexStar	-	76,417,259	-	8,204,382	-	58,311	84,679,952
Money Market Funds	-	-	-	1,526,922	-	-	1,526,922
Money Market Mutual Funds	-	-	-	1,873,437	-	-	1,873,437
Total	<u>\$ 23,631,447</u>	<u>\$ 95,520,300</u>	<u>\$ 12,432,584</u>	<u>\$ 57,424,764</u>	<u>\$ 16,774,752</u>	<u>\$ 3,892,570</u>	<u>\$ 209,676,417</u>

Shown in the statements in the following line items:

Cash and cash equivalents	\$ 23,631,447	\$ 19,085,818	\$ 10,053,892	\$ 41,766,773	\$ 16,774,752	\$ 3,892,570	\$ 115,205,252
Restricted cash and cash equivalents	-	76,434,482	2,378,692	15,657,991	-	-	94,471,165
Total	<u>\$ 23,631,447</u>	<u>\$ 95,520,300</u>	<u>\$ 12,432,584</u>	<u>\$ 57,424,764</u>	<u>\$ 16,774,752</u>	<u>\$ 3,892,570</u>	<u>\$ 209,676,417</u>

Pooled fund investment balances at September 30, 2024 are as follows:

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Custodial Funds	Total
Investments	\$ 5,672,448	\$ 6,159,872	\$ 1,992,735	\$ 13,149,601	\$ 5,415,936	\$ 1,204,059	\$ 33,594,651
Restricted Investments	-	-	765,383	1,638,270	-	-	2,403,653
Total	<u>\$ 5,672,448</u>	<u>\$ 6,159,872</u>	<u>\$ 2,758,118</u>	<u>\$ 14,787,871</u>	<u>\$ 5,415,936</u>	<u>\$ 1,204,059</u>	<u>\$ 35,998,304</u>

The following represents the investments and cash equivalents at September 30, 2024 located in the pooled investment fund:

Description	Credit Ratings	Interest Rate	Par Value	Book Value (Cost)	Carrying Value
<u>Core Portfolio:</u>					
FHLB	Aaa	5.235	\$ 3,000,000	\$ 3,000,000	\$ 3,002,160
			<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,002,160</u>
<u>Discretionary Portfolio:</u>					
FHLB	Aaa	4.684	\$ 7,000,000	\$ 6,995,812	\$ 6,965,710
FHLMC	Aaa	5.400	2,000,000	1,992,351	1,944,678
Treasury Note	N/A	5.073	24,000,000	23,819,982	23,872,880
			<u>\$ 33,000,000</u>	<u>\$ 32,808,145</u>	<u>\$ 32,783,268</u>
<u>Emergency/Liquidity Portfolio:</u>					
TexPool	AAAm	5.164	\$ 63,420,856	\$ 63,420,856	\$ 63,420,856
TexStar	AAAm	2.132	410,670	410,670	410,670
Money Market	N/A	4.875	47,655,778	47,655,778	47,655,778
			<u>\$ 111,487,304</u>	<u>\$ 111,487,304</u>	<u>\$ 111,487,304</u>
Accrued Interest			<u>\$ 212,876</u>	<u>\$ 212,876</u>	<u>\$ 212,876</u>
Total			<u>\$ 147,700,180</u>	<u>\$ 147,508,325</u>	<u>\$ 147,485,608</u>

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

Deposits and Investments - Abilene Firemen's Relief and Retirement Fund (AFRRF)

Deposits held in the AFRRF's operating bank account at September 30, 2024 were entirely insured or collateralized with federal deposit insurance and securities held by the pledging financial institution's agent bank in the name of the AFRRF.

The AFRRF's investments are managed by various managers who have discretionary authority over assets managed by them, within the investment guidelines established by the AFRRF Board, under the contracts with the pension plan. The investments are held by the AFRRF custodian in the pension plan's name. The AFRRF is authorized to invest in obligations of the U.S. Treasury, agencies, corporate bonds, mutual funds, diversified hedge fund programs, and equity securities.

The AFRRF is prohibited from investing in insurance contracts, guaranteed investment contracts (GICs), bank certificates of deposits with maturities in excess of one year, short sales, naked options, commodities, unregistered or restricted stock, leveraged investments, as well as real estate for which the AFRRF had direct ownership.

The following presents the fair value of investments at September 30, 2024 of individual investments that represent 5% or more of the AFRRF's fiduciary net position disclosed separately.

Investment Type	September 30, 2024
<u>Mutual Funds</u>	
Vanguard Total Stock Market Index Fund	\$ 26,313,733
Western Asset Core Bond Fund	8,244,928
Brookfield Infrastructure	3,351,895
Blackrock Multit- Asset Income Fund	3,342,726
	<u>\$ 41,253,282</u>

Through adherence to the AFRRF's investment policy, management attempts to limit or mitigate certain risks. A summary of these requirements are listed below.

Equities – At least 60% of the equity securities owned must be listed on either the New York or American Stock exchanges and no more than 10% of the portfolio's equity designated assets at fair value should be invested in any one industry. The minimum market capitalization of any stock, at time of purchase, should be no lower than \$400,000,000.

Fixed-income securities – All debt securities must be rated "A" or better by Moody's, Standard & Poor's (S&P), or Fitch. A portion of the fixed-income portfolio, not to exceed 5%, may utilize bonds whose ratings are BBB. The policy does allow up to 65% of the high-yield fixed income securities portfolio to be invested in high-yield or high-risk bonds (Ba or BB or below at the time of purchase) and other similar securities. The maximum maturity of all fixed income investments, with the exception of mortgage-backed securities and the portfolio of high-yield fixed income securities, is 10 years.

Cash reserves and cash equivalents – The policy allows commercial paper with rating of A-1, A-2, Prime 1, or Prime 2; obligations of the U.S. government and any of its agencies; certificates of deposit and bankers' acceptances issued by banks rated "AA" or higher by Moody's or S&P; and no-load money market funds with all of the above-defined quality guidelines.

Alternative investments – The alternative investments are comprised of a combination of single manager strategies and diversified hedge fund programs known as a fund of funds which shall be monitored for diversification and risk management. No more than 10% of the assets of the hedge fund will be invested in any one manager at the outset of investment.

The AFRRF did not have any specific debt investments that would require disclosure for the year ended September 30, 2024. The AFRRF is invested in a fixed income mutual fund with an average effective maturity of 10.92 years as of September 30, 2024.

The AFRRF investment policy does not limit the maximum allowable stated maturity of individual investments, except for fixed-income securities mentioned above.

Concentration of credit risk – The AFRRF's investment policy does not limit investments in any one issuer except the investment portfolio shall be diversified after considering maturity duration, type of investment, liquidity factors, cash-flow timing and degree of risk.

It is AFRRF's policy to invest the assets in accordance with the Target allocation stated below and within the limitations so noted. The Asset Mix Policy established by the Board of Trustees represents a long-term view (a full market cycle). As such, rapid and sudden market movements may cause the Fund's actual asset mix to fall outside the stated policy range. Any such divergence, however, should be short-term in nature.

Asset Class	Allocation Range	Target Allocation
U.S. Equities	32.5% to 42.5%	42.5%
Developed International Equity	7.5% to 17.5%	10.0%
Emerging Market Equities	0% to 10%	2.5%
Core Plus Fixed Income	10% to 20%	15.0%
Global Fixed Income	0% to 5%	2.5%
Private Debt	0% to 5%	2.5%
Cash Equivalents	0% to 5%	0.0%
Global Tactile Asset Allocation	0% to 10%	5.0%
Private Equity	0% to 10%	5.0%
Real Estate	0% to 15%	10.0%
Infrastructure	0% to 10%	5.0%
		<u>100.0%</u>

Credit risk - The AFRRF's rated debt investments as of September 30, 2024, using the Moody's or S&P rating scale, are presented below:

Investment Type	Moody's / S&P Rating	September 30, 2024
Money Market funds	Aaa	\$ 231,244

The net appreciation (depreciation) in investments for the year ending September 30, 2024 is presented below:

Investment Type	September 30, 2024
Mutual funds - bonds	\$ 738,450
Mutual funds	7,773,577
Other equities	499,857
Common stock	1,026,692
Real estate	(549,977)
Private debt	(1,290)
Total	<u>\$ 9,487,309</u>

Rate of Return – For the year ended September 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.42%. The money-weighted rate of return expresses investment performance, net of plan investment expense, adjusted for the changing amounts actually invested.

The AFRRF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 are significant other observable inputs; Level 3 are significant unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the investments measured at fair value on a recurring basis at September 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds- bonds	\$ 10,037,948	\$ -	\$ -	\$ 10,037,948
Mutual funds	34,151,965	-	-	34,151,965
Other equities *	3,342,632	-	-	5,186,289
Money Market funds	231,244	-	-	231,244
Common stock	4,773,938	-	-	4,773,938
Private real estate *	-	-	-	71,848
Private infrastructure *	-	-	-	3,351,895
Core real estate *	-	-	-	4,387,154
Private debt *	-	-	-	1,581,729
	<u>\$ 52,537,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,774,010</u>

*This category of investments includes investments that are measured at net asset value per share and do not fall into the levels in the fair value hierarchy.

Investments Valued at Net Asset Per Share

Additional Disclosure for certain types of investments that calculate net asset value per share but are not publicly traded to assist in understanding the nature and risk of these investments by major category. The table below summarizes the fair value and other pertinent liquidity information of these investments in major categories at September 30, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Other equities	\$ 1,843,657	\$ 4,068,550	N/A	N/A
Private real estate	71,848	-	N/A	N/A
Private infrastructure	3,351,895	-	Quarterly	90 days
Core real estate	4,387,154	-	Quarterly	90 days
Private debt	1,581,729	969,309	Quarterly	90 days
	<u>\$ 11,236,283</u>	<u>\$ 5,037,859</u>		

Investments included in other equities and private real estate category above do not have redemption or liquidity features. All distributions from these funds are at the discretion of the general partners.

NOTE 4: ACCOUNTS AND NOTES RECEIVABLE

Receivables at September 30, 2024 for the government's individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, consist of the following:

	General	General Capital Projects	Nonmajor	Total Governmental Activities
Receivables:				
Accounts	\$ 11,518,423	\$ 57,603	\$ 2,550,979	\$ 14,127,005
Property tax	1,901,408	-	-	1,901,408
Sales tax	7,541,852	-	-	7,541,852
Bingo tax	13,841	-	-	13,841
Franchise	1,734,980	-	-	1,734,980
Hotel occupancy tax	-	-	395,253	395,253
Lease receivable	126,357	-	522,031	648,388
Notes receivable	79,124	594,672	5,382,865	6,056,661
Accrued Interest	123	-	2,029,062	2,029,185
Due from other governments	42,977	194,141	1,339,382	1,576,500
Gross Receivables	22,959,085	846,416	12,219,572	36,025,073
Less allowance for doubtful accounts	(8,355,356)	-	(5,669,850)	(14,025,206)
Net total receivables	<u>\$ 14,603,729</u>	<u>\$ 846,416</u>	<u>\$ 6,549,722</u>	<u>\$ 21,999,867</u>

Receivables at September 30, 2024 for the government's individual major and nonmajor enterprise funds, including the applicable allowances for uncollectible accounts, consist of the following:

	Water and Sewer	Airport	Solid Waste	Nonmajor Enterprise Funds	Total Business- type Activities
Receivables:					
Accounts	\$ 11,607,674	\$ 242,949	\$ 3,324,632	\$ 590,648	\$ 15,765,903
Leases	93,385	588,443	-	-	681,828
Due from other governments	-	214,672	-	4,670,892	4,885,564
Gross Receivables	\$ 11,701,059	\$ 1,046,064	\$ 3,324,632	\$ 5,261,540	\$ 21,333,295
Less allowance for doubtful accounts	(867,824)	-	(354,679)	(64,442)	(1,286,945)
Net total receivables	<u>\$ 10,833,235</u>	<u>\$ 1,046,064</u>	<u>\$ 2,969,953</u>	<u>\$ 5,197,098</u>	<u>\$ 20,046,350</u>

NOTE 5: 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, 2023, upon which the 2023 levy was based, was \$9,268,723,531. 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 proposed tax rate exceeds the no-new-revenue tax rate by more than 3.5%, referred to as the voter-approval tax rate, the City is required to hold an election. If voters do not approve, the tax rate is set at the voter-approval tax rate. Legislation does allow the City to "bank" unused amounts between the adopted tax rate and the voter-approval tax rate for up to three years. This is referred to as the unused increment rate and if used, would allow the City to exceed the voter-approval tax rate in a future year without requiring an election. 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 \$.5918 per \$100 for the year ended September 30, 2024. The tax rate to finance the payment of principal and interest on long-term debt was \$.1410 per \$100 for the year ended September 30, 2024. Current taxes collected during the year ended September 30, 2024, amounted to 98.7% 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 6: TAX ABATEMENTS

The City provides a program for tax abatements of real and/or business personal property tax in accordance with Texas Tax Code Section 312, "Property Redevelopment and Tax Abatement Act" and resolutions adopted by City Council. The purpose of the program is to promote economic development and encourage business attraction, retention, and expansion within the City. These tax abatements are designed to stimulate capital investment and job creation by offering temporary exemptions on increases in assessed property value.

The City negotiates tax abatement agreements on a case-by-case basis. These agreements may exempt a portion of the increase in assessed value of real property and/or business personal property resulting from improvements or expansions. The amount of the exemption, the duration of the abatement, and the performance obligations of the recipient are specified in each agreement.

Eligibility for tax abatements is determined based on various factors, including the number of jobs created or retained, the type of industry, the level of capital investment, and the overall economic impact on the community. The maximum term for any tax abatement agreement is ten years, and all agreements require compliance with specified performance targets, such as job creation and capital investment thresholds. Failure to meet these requirements may result in the termination of the agreement and recapture of abated taxes.

For the fiscal year ended September 30, 2024, no improvements have been completed to date on any tax abatement agreements and therefore no tax revenues were reduced as a result of these agreements.

NOTE 7: CAPITAL, LEASE AND SUBSCRIPTION ASSETS

Capital, lease and subscription assets activity for the year ended September 30, 2024, was as follows:

Governmental Activities:

	Balance September 30, 2023	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2024
Capital assets, not being depreciated:				
Land	\$ 14,192,122	\$ 51,158	\$ (39,815)	\$ 14,203,465
Easements	91,069	36,803	-	127,872
Construction in progress	63,442,579	18,610,291	(50,019,461)	32,033,409
Total capital assets, not being depreciated	77,725,770	18,698,252	(50,059,276)	46,364,746
Capital assets being depreciated / amortized:				
Buildings and improvements	103,168,925	30,197,573	-	133,366,498
Leasehold improvements	1,702,127	-	-	1,702,127
Improvements other than buildings	53,571,061	3,609,872	-	57,180,933
Infrastructure	214,537,201	31,761,047	-	246,298,248
Machinery and equipment	14,810,208	5,501,357	(3,747,839)	16,563,726
Vehicles	63,349,134	649,659	-	63,998,793
Intangible assets	156,809	-	-	156,809
Lease buildings	1,393,154	-	-	1,393,154
Lease equipment	721,173	12,053	(288,970)	444,256
Subscription assets	4,589,838	6,260,372	(740,056)	10,110,154
Total assets being depreciated / amortized	457,999,630	77,991,933	(4,776,865)	531,214,698
Less: Accumulated depreciation / amortization:				
Buildings and improvements	(35,818,313)	(4,313,461)	-	(40,131,774)
Leasehold improvements	(1,092,485)	(170,213)	-	(1,262,698)
Improvements other than buildings	(36,061,669)	(2,046,098)	-	(38,107,767)
Infrastructure	(110,874,781)	(8,800,084)	-	(119,674,865)
Machinery and equipment	(7,307,214)	(4,299,421)	3,204,644	(8,401,991)
Vehicles	(37,052,151)	(651,305)	-	(37,703,456)
Intangible assets	(99,542)	(24,959)	-	(124,501)
Lease buildings	(354,491)	(210,794)	-	(565,285)
Lease equipment	(300,757)	(117,842)	209,723	(208,876)
Subscription assets	(858,748)	(2,582,267)	-	(3,441,015)
Total accumulated depreciation / amortization	(229,820,151)	(23,216,444)	3,414,367	(249,622,228)
Total capital, lease and subscription assets being depreciated / amortized, net	228,179,479	54,775,489	(1,362,498)	281,592,470
Governmental activities capital, lease and subscription assets, net	\$ 305,905,249	\$ 73,473,741	\$ (51,421,774)	\$ 327,957,216

Business- Type Activities:

	Balance September 30, 2023	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2024
Capital assets, not being depreciated:				
Land	\$ 1,846,948	\$ -	\$ -	\$ 1,846,948
Construction in progress	28,690,017	12,626,295	(15,554,659)	25,761,653
Total capital assets, not being depreciated	30,536,965	12,626,295	(15,554,659)	27,608,601
Capital assets, being depreciated / amortized:				
Buildings and improvements	258,716,474	49,685	-	258,766,159
Improvements other than buildings	404,187,998	30,260,907	-	434,448,905
Machinery and equipment	8,505,681	500,648	-	9,006,329
Vehicles	7,915,855	-	-	7,915,855
Intangible assets	31,942,461	-	-	31,942,461
Total assets being depreciated / amortized	711,268,469	30,811,240	-	742,079,709
Less: Accumulated depreciation / amortization:				
Buildings and improvements	(63,476,650)	(5,352,717)	-	(68,829,367)
Improvements other than buildings	(153,129,423)	(10,647,829)	-	(163,777,252)
Machinery and equipment	(4,762,401)	(800,707)	-	(5,563,108)
Vehicles	(6,240,700)	(460,046)	-	(6,700,746)
Intangible assets	(18,647,293)	(645,758)	-	(19,293,051)
Total accumulated depreciation / amortization	(246,256,467)	(17,907,057)	-	(264,163,524)
Total capital assets being depreciated / amortized, net	465,012,002	12,904,183	-	477,916,185
Business- type activities capital assets, net	\$ 495,548,967	\$ 25,530,478	\$ (15,554,659)	\$ 505,524,786

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 and amortization expenses were charged to functions of the primary government as follows:

Governmental Activities:

General services and administration	\$	3,006,005
Infrastructure and development		3,676,144
Public safety		8,807,955
Community Services		3,040,124
Internal Service Funds		4,686,216
Total depreciation and amortization expense - Governmental activities	\$	<u>23,216,444</u>

Business-Type Activities:

Water and Sewer	\$	12,993,667
Airport		4,114,181
Solid Waste Services		287,517
Transit		511,692
Total depreciation/amortization expense - Business- type activities	\$	<u>17,907,057</u>

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

The following is a summary of changes in long-term obligations for the year ended September 30, 2024:

	Balance at September 30, 2023	Additions	Retirements	Balance at September 30, 2024	Due within one year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds payable	\$ 71,655,000	\$ 39,390,000	\$ (5,190,000)	\$ 105,855,000	\$ 5,740,000
Certificate of obligation payable	60,610,000	-	(2,660,000)	57,950,000	2,860,000
Direct borrowing	549,350	-	(130,713)	418,637	135,034
Bond premiums	14,874,892	4,036,932	(1,263,436)	17,648,388	-
Total bonds and notes payable	147,689,242	43,426,932	(9,244,149)	181,872,025	8,735,034
Compensated absences	11,689,947	1,983,002	(1,297,018)	12,375,931	1,274,193
Estimated unpaid claims	4,169,795	8,171,893	(9,721,783)	2,619,905	1,335,959
State obligation	-	3,139,831	(1,121,364)	2,018,467	672,813
Lease liability	1,468,997	-	(378,317)	1,090,680	265,889
Subscription liability	2,436,964	4,258,617	(2,232,754)	4,462,827	1,973,321
Arbitrage rebate liability	639,925	1,496,942	-	2,136,867	46,787
Other post employment benefit liability	3,268,592	266,465	-	3,535,057	-
Net pension liability	106,190,555	-	(16,565,016)	89,625,539	-
Total Governmental Activities	<u>\$ 277,554,017</u>	<u>\$ 62,743,682</u>	<u>\$ (40,560,401)</u>	<u>\$ 299,737,298</u>	<u>\$ 14,303,996</u>
Business Type Activities					
Bonds:					
General obligation bonds payable	\$ 163,935,000	\$ -	\$ (6,010,000)	\$ 157,925,000	\$ 7,900,000
Certificate of obligation payable	61,820,000	-	(4,705,000)	57,115,000	2,755,000
Bond premiums (discounts)	6,262,902	-	(668,454)	5,594,448	-
Total bonds payable	232,017,902	-	(11,383,454)	220,634,448	10,655,000
Compensated absences	794,761	222,250	(120,139)	896,872	253,129
Arbitrage rebate liability	116,282	163,734	-	280,016	168,201
Other post employment benefit liability	900,529	69,555	-	970,084	-
Net pension liability	6,852,961	-	(3,023,933)	3,829,028	-
Total Business Type Activities	<u>\$ 240,682,435</u>	<u>\$ 455,539</u>	<u>\$ (14,527,526)</u>	<u>\$ 226,610,448</u>	<u>\$ 11,076,330</u>

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 other post-employment benefit liability and net pension liability that pertains to the governmental activities will be liquidated mainly by the General Fund.

On March 1, 2024 the City of Abilene issued General Obligation Bonds, Series 2024 of \$39,390,000 with an interest rate range of 4.0 to 5.0 percent and a final maturity of February 15, 2044. Proceeds from the sale of the Bonds will be used for the public purpose of a) designing, acquiring, constructing, purchasing, renovating, improving, upgrading, updating, enlarging, and equipping the City Zoo, acquiring lands and rights-of-way necessary thereto, and completing related landscaping, (b) designing, acquiring, constructing, renovating, improving, and equipping recreation centers within the City, acquiring lands and rights-of-way necessary thereto, and completing related landscaping and (c) paying the costs associated with the issuance of the Bonds.

In February 2024, the Texas State Comptroller notified the City that they will be required to refund \$3,139,831 related to sales taxes collected by the Comptroller from fiscal years 2010 through 2013. The City entered into an agreement to pay back the refund over a 42-month period beginning in April 2024 at the rate of \$74,757 per month.

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, 2024, will be amortized serially each year on dates prescribed by each respective bond ordinance through 2044. Total interest requirement for these bonds, at rates ranging from .463% to 5.0%, aggregate \$61,925,708. \$3,147,197 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, 2024, was \$.1410 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 Capital Projects Fund, with restricted fund balance aggregating \$73,636,382 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 outstanding as of 9/30/2024:

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Dates	Amount Outstanding 09/30/24
General Obligation Bonds	08/01/2007	\$ 1,070,000	5.0467	2-15-27/17	\$ 150,000
General Obligation Bonds	08/15/2015	13,820,000	3.3500	2-15-35/25	885,000
General Obligation Bonds	08/15/2015	21,115,000	3.3500	2-15-35/25	3,245,000
Certificates of Obligation	08/15/2015	1,955,000	3.4000	2-15-35/25	1,060,000
General Obligation Bonds	09/01/2016	13,895,000	2.4131	2-15-36/25	4,165,000
General Obligation Bonds	09/01/2016	25,765,000	2.4131	2-15-36/25	17,655,000
Certificates of Obligation	09/01/2016	2,000,000	2.1100	2-15-31/25	925,000
General Obligation Bonds	07/01/2017	13,660,000	3.2167	2-15-37/26	10,300,000
Certificates of Obligation	07/01/2017	7,830,000	3.2165	2-15-37/26	5,885,000
General Obligation Bonds	12/01/2017	830,000	2.0893	2-15-35/28	150,000
General Obligation Bonds	07/01/2018	4,880,000	3.4000	2-15-38/28	3,840,000
Certificates of Obligation	07/01/2018	10,215,000	3.4719	2-15-39/28	8,305,000
Certificates of Obligation	07/01/2018	1,615,000	3.4368	2-15-39/28	1,315,000
General Obligation Bonds	12/01/2019	7,315,000	2.7656	2-15-40/30	6,515,000
Certificates of Obligation	12/01/2019	10,745,000	2.7153	2-15-40/30	9,110,000
General Obligation Bonds	07/15/2020	13,255,000	2.2349	2-15-35/29	12,385,000
Certificates of Obligation	10/12/2021	19,900,000	2.2075	2-15-41/30	18,485,000
Certificates of Obligation	09/23/2021	6,000,000	2.5809	2-15-38/26	5,765,000
General Obligation Bonds	05/01/2023	7,320,000	3.7480	2-15-43/33	7,175,000
Certificates of Obligation	05/01/2023	7,255,000	3.7000	2-15-43/33	7,100,000
General Obligation Bonds	03/01/2024	39,390,000	3.7410	2-15-44/34	39,390,000
					<u>\$ 163,805,000</u>

The following is a maturity schedule for the bonds:

Fiscal Year Ended September 30	Principal	Interest	Total Requirement
2025	\$ 8,600,000	\$ 7,548,293	\$ 16,148,293
2026	9,725,000	6,379,126	16,104,126
2027	9,745,000	5,994,441	15,739,441
2028	9,750,000	5,576,497	15,326,497
2029	9,770,000	5,163,217	14,933,217
2030 - 2034	50,320,000	19,810,006	70,130,006
2035 - 2039	43,660,000	9,352,603	53,012,603
2040 - 2044	22,235,000	2,101,525	24,336,525
Total	<u>\$ 163,805,000</u>	<u>\$ 61,925,708</u>	<u>\$ 225,730,708</u>

At September 30, 2024, the City had authorized and unissued general obligation bonds of \$300,000 proposed for sanitary landfill purposes which the City has no plans to sell.

Loans from Direct Borrowings

The City of Abilene has an agreement with Axon Enterprise, Inc. to purchase equipment for the police department. The equipment will be paid for over a four-year period with annual payments of \$148,870 including interest of 3.3% with the last payment in January 2027.

The following is a schedule of Direct Borrowing Loans outstanding at 9/30/2024:

Fiscal Year Ended September 30	Principal	Interest	Total Requirement
2025	\$ 135,034	\$ 13,836	\$ 148,870
2026	139,496	9,374	148,870
2027	144,107	4,763	148,870
	<u>\$ 418,637</u>	<u>\$ 27,973</u>	<u>\$ 446,610</u>

Business Type Activities

Water and Wastewater Obligations

The following is a schedule of Water and Wastewater Obligation Bonds outstanding as of 9/30/2024:

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Dates	Amount Outstanding 09/30/23
Certificate of Obligation Bonds	12/20/2012	2,500,000	0.94	2-15-33/23	\$ 1,175,000
Certificate of Obligation Bonds	07/01/2017	10,740,000	3.2165	2-15-37/26	8,080,000
General Obligation Bonds	12/01/2017	31,885,000	2.0893	2-15-35/28	25,320,000
Certificate of Obligation Bonds	11/27/2018	18,370,000	1.6934	2-15-39/29	14,170,000
General Obligation Bonds	12/01/2019	73,030,000	3.1542	2-15-40/30	67,155,000
Certificate of Obligation Bonds	12/01/2020	13,185,000	2.7153	2-15-40/30	11,745,000
General Obligation Bonds	07/15/2020	69,570,000	2.2349	2-15-43/31	65,450,000
Certificate of Obligation Bonds	06/01/2022	23,270,000	3.7479	2-15-42/31	21,945,000
					<u>\$ 215,040,000</u>

The following is a maturity schedule for the above bonds:

Fiscal Year Ended September 30	Principal	Interest	Total Requirement
2025	\$ 10,655,000	\$ 6,400,706	\$ 17,055,706
2026	10,920,000	6,123,158	17,043,158
2027	11,200,000	5,852,988	17,052,988
2028	11,520,000	5,533,169	17,053,169
2029	11,895,000	5,164,497	17,059,497
2030 - 2034	65,090,000	20,029,671	85,119,671
2035 - 2039	74,440,000	9,031,432	83,471,432
2040 - 2044	19,320,000	688,802	20,008,802
Total	<u>\$ 215,040,000</u>	<u>\$ 58,824,423</u>	<u>\$ 273,864,423</u>

Defeased Debt

In fiscal year 2020, the City defeased \$71,375,000 of the 2013 General Obligation Bonds, 2015 General Obligation Bonds, and 2015 Certificate of Obligation Bonds by placing new bond proceeds in an escrow to provide for future debt payments on the defeased bonds. Accordingly, the escrowed assets and the liability for the defeased bonds are not included in the government section of the financial statements. As of September 30, 2024, \$11,025,000 of defeased bonds are still outstanding.

Arbitrage Rebate

Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. At September 30, 2024, a yield restriction/arbitrage rebate of \$2,136,687 and \$280,016 was accrued for governmental and business-type activities, respectively.

NOTE 9: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

City as Lessee

The City has obtained office space, copiers and other equipment through long-term leases. The terms and conditions for these leases varies. These leases are fixed, periodic payments over the lease term, which ranges between 1-8 years. The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are no agreements that include sale-leaseback and lease-leaseback transactions.

As of September 30, 2024, the City had minimum principal and interest payment requirement for its leasing activities, with a remaining term more than one year as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2025	\$ 265,889	\$ 16,660	\$ 282,549
2026	212,074	12,327	224,401
2027	190,511	8,594	199,105
2028	158,514	5,381	163,895
2029	143,706	3,038	146,744
2030	119,986	845	120,831
	<u>\$ 1,090,680</u>	<u>\$ 46,845</u>	<u>\$ 1,137,525</u>

City as Lessor

The City leases City-owned properties such as buildings, land and water towers. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. The City did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

Principal and interest to maturity for the lease receivables at September 30, 2024 are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 128,078	\$ 9,322	\$ 137,400
2026	129,437	7,263	136,700
2027	131,024	5,175	136,199
2028	133,150	3,050	136,200
2029	126,699	2,812	129,511
	<u>\$ 648,388</u>	<u>\$ 27,622</u>	<u>\$ 676,010</u>

The Airport Fund entered into a 40 year lease in 2023 that stipulates that no lease payments are due for the first ten years. When payments commence in fiscal year 2034, proper amortization requires initial payments to be allocated to interest which causes an increase in the principal amount due as reflected in the schedules below.

Fiscal Year Ending September 30,	Business-Type Activities					
	Water and Sewer Fund			Airport Fund		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 32,300	\$ 1,674	\$ 33,974	\$ 74,422	\$ 7,776	\$ 82,198
2026	32,761	1,213	33,974	79,222	5,823	85,045
2027	33,229	746	33,975	80,278	3,782	84,060
2028	27,395	283	27,678	82,921	1,698	84,619
2029	-	-	-	21,123	91	21,214
2030 - 2034	-	-	-	(138,413)	153,929	15,516
2035 - 2039	-	-	-	12,566	90,874	103,440
2040 - 2044	-	-	-	31,543	86,660	118,203
2045 - 2049	-	-	-	58,003	77,906	135,909
2050 - 2054	-	-	-	93,226	63,068	156,294
2055 - 2059	-	-	-	139,597	40,181	179,778
2060 - 2063	-	-	-	128,377	8,987	137,364
	<u>\$ 125,685</u>	<u>\$ 3,916</u>	<u>\$ 129,601</u>	<u>\$ 662,865</u>	<u>\$ 540,775</u>	<u>\$ 1,203,640</u>

Regulated Leases

The City does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. Regulated leases include the following:

Airline Use – The City has entered into an Air Carrier Terminal Lease and Operating Agreement with American Airlines for the use of the terminal, gates and baggage claim area. The City and American Airlines entered into a three-year lease effective August 1, 2019, with two one-year extension options, if mutually agreed to by both the City and American Airlines. The revenue recognized for the exclusive use of terminal space during the year ending September 30, 2024 was \$258,224. The revenue recognized for usage-based landing fees for the year ended September 30, 2024 was \$160,424.

Airline Hangar Buildings – The City has entered into several contracts for the lease of hangars located at the Abilene Regional Airport. These contracts have various start dates ranging from 2005 to 2019 and end dates ranging from 2024 to 2042. These contracts include periodic rate adjustments based on CPI. The revenue recognized for these Hangar contracts for the year ended September 30, 2024 was \$198,022.

Fixed Based Operators – The City has entered into several contracts with Fixed Base Operators (FBO) for the lease of certain airport land and buildings. An FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to the general aviation community, and therefore is considered to be a regulated lease. These contracts have various start dates ranging from 2004 to 2020 and end dates ranges from 2025 to 2044. The revenue recognized for these FBO contracts for the year ended September 30, 2024 was \$228,811.

Expected future minimum lease payments from regulated leases at September 30, 2024 are as follows:

Fiscal Year Ending September 30,	Total
2025	\$ 341,121
2026	310,450
2027	305,536
2028	305,536
2029	252,309
2030 - 2034	692,879
2035 - 2039	641,186
2040 - 2044	581,089
	<u>\$ 3,430,106</u>

Subscription-Based Information Technology Arrangements

The City has entered into Subscription-based information technology arrangements (SBITA) involving various desktop and server software, public safety, health, and financial software. As of September 30, 2024, all SBITA have fixed, periodic payments over the subscription periods, which range from 1 to 3 years and expire no later than fiscal year 2027.

Future subscription payments as of September 30, 2024, are as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2025	\$ 1,973,321	\$ 120,434	\$ 2,093,755
2026	1,319,655	68,043	1,387,698
2027	1,169,851	34,489	1,204,340
	<u>\$ 4,462,827</u>	<u>\$ 222,966</u>	<u>\$ 4,685,793</u>

NOTE 10: RETIREMENT PLANS

Plan Descriptions

Texas Municipal Retirement System

The City provides pension benefits for all of its eligible employees, except firefighters, through a defined benefit cash-balance plan, one of 919 participating cities, administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) 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 December 1, 2019. 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 based on the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's contributions and interest.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – This plan provides retirement, termination, disability, and death benefits. Members hired before February 1, 2019 receive Tier 1 Benefits. A Tier 1 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. Effective January 1, 2023, if a member's death occurs while he was in employment covered under the Fund and had attained DROP eligibility, the Member's surviving spouse can elect to receive benefits under the DROP. Effective February 1, 2019, all future new hires will accrue benefits under a Tier 2 benefit structure. A Tier 2 member is eligible for service retirement if they have completed 20 years of credited service and attained the age of 53. Key provision of the approved Tier 2 benefit structure are listed below:

<u>Benefit</u>	<u>Tier 2</u>
Normal Retirement Age	53 / 20 years of service
AFC Period	5 years
Benefit Accrual Rate	2.75% per year
Maximum Accrual Rate	55% of AFC
Longevity Supplement	\$80/month after 20 years

Effective January 1, 2020, the definition of compensation excludes deployment pay and overtime hours in excess of 288 for purposes of determining the highest average salary. The plans provisions for the City are as follows:

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Employee deposit rate	7%	15.20% Oct 1 2019
Matching ratio (City to employee)	2 to 1	
City's Contribution		21.25% Oct 1 2019
A member is vested after	5 years	20 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	Tier 1 50/20 Tier 2 53/20
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, 2023	October 1, 2024
Retirees and beneficiaries currently receiving benefits	962	199
Inactive employees entitled to but not yet receiving benefits	923	9
Active employees	1,047	203
Total participants	2,932	411

Contributions

Texas Municipal Retirement System (TMRS) – The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

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 10.08% and 10.25% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$7,414,405 and were equal to the required contributions.

Abilene Firemen's Relief and Retirement Fund (AFRRF) – The City's contribution rate for fiscal years 2023 and 2024 was 21.25% 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 contribution rate was 15.2% of gross pay for fiscal years 2023 and 2024. 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, 2024 were \$4,224,158 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, 2023, 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, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of October 1, 2024.

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Measurement Date	December 31, 2023	September 30, 2024
Total Pension Liability	\$ 358,168,862	\$ 136,103,905
Fiduciary Net Position	337,002,385	63,815,815
Net Pension Liability	\$ 21,166,477	\$ 72,288,090

Actuarial Assumptions

Texas Municipal Retirement System

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees, and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5 % and 3.0 % minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 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, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

Abilene Firemen's Relief and Retirement Fund

The Total Pension Liability in the October 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5% per year
Salary increases	Service based
Discount rate	7.5%
Investment rate of return	7.5%

Mortality rates were based upon the PubS-2010 Mortality Table for Employees, Healthy Retirees, Contingent Survivors and Disabled Retirees. The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2021 and a base year of 2010.

The most recent actuarial experience study used to review the other significant assumptions was completed August 18, 2023.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2024 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equities	42.5%	7.50%
International Equities	17.5%	8.50%
Domestic Fixed Income	15.0%	2.50%
Private Fixed Income	2.5%	2.50%
Global Fixed Income	2.5%	3.50%
Private Real Estate	10.0%	4.50%
Infrastructure	5.0%	4.50%
GTAA	5.0%	3.50%
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 7.5%. 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 21.25% 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 7.50%; the municipal bond rate is 4.06% (based on the weekly rate closest to but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index); and the resulting single discount rate is 7.50%.

Schedule of Changes in the Net Pension Liability

Changes in the City's net pension liability / (asset) 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, 2024 are as follows:

Texas Municipal Retirement System

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability
Balance at 12/31/2022	\$ 347,233,188	\$ 311,458,337	\$ 35,774,851
Changes for the year:			
Service cost	9,976,640	-	9,976,640
Interest	23,041,127	-	23,041,127
Change in benefit terms	-	-	-
Difference between expected and actual experience	1,760,928	-	1,760,928
Change in assumptions	(2,100,056)	-	(2,100,056)
Contributions - employer	-	6,827,189	(6,827,189)
Contributions - employee	-	4,741,105	(4,741,105)
Net investment income	-	35,949,648	(35,949,648)
Benefit payments, including refunds of employee contributions	(21,742,965)	(21,742,965)	-
Administrative expenses	-	(229,328)	229,328
Other changes	-	(1,601)	1,601
Net changes	10,935,674	25,544,048	(14,608,374)
Balance at 12/31/23	\$ 358,168,862	\$ 337,002,385	\$ 21,166,477

Abilene Firemen's Relief and Retirement Fund

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	
Balance at 9/30/23	\$ 131,506,251	\$ 54,237,586	\$ 77,268,665
Changes for the year:			
Service cost	2,597,028	-	2,597,028
Interest	9,735,009	-	9,735,009
Change in benefit terms	-	-	-
Difference between expected and actual experience	871,932	-	871,932
Change in assumptions	-	-	-
Contributions - employer	-	4,224,158	(4,224,158)
Contributions - employee	-	3,021,516	(3,021,516)
Net investment income	-	11,070,204	(11,070,204)
Benefit payments, including refunds of employee contributions	(8,606,315)	(8,606,315)	-
Administrative expenses	-	(131,334)	131,334
Net changes	4,597,654	9,578,229	(4,980,575)
Balance at 9/30/24	\$ 136,103,905	\$ 63,815,815	\$ 72,288,090

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) for each of the City's plans, calculated using the discount rate, as well as what the City's net pension liability (asset) 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) \$	\$ 64,491,029	\$ 21,166,477	\$ (14,975,930)
AFRRF - Net pension liability	\$ 87,773,566	\$ 72,288,090	\$ 59,225,808

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.tmr.com and a AFRRF financial report which may be obtained from the Abilene Firemen's Relief and Retirement Fund, 102 Cedar St., Suite 100, Abilene, Texas 79601.

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

For the year ended September 30, 2024, the City recognized total pension expense of \$10,877,873. Pension expense recognized for the TMRS plan was \$4,520,308 and the pension expense for the AFRRF was \$6,357,565.

At September 30, 2024, 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	Total
Deferred Outflows of Resources			
Contributions subsequent to the measurement date	\$ 5,669,863	\$ -	\$ 5,669,863
Differences between expected and actual experience	1,217,431	762,944	1,980,375
Difference between projected and actual investment earnings	8,888,158	-	8,888,158
Changes in actuarial assumptions	-	1,767,350	1,767,350
Total Deferred Outflows of Resources	\$ 15,775,452	\$ 2,530,294	\$ 18,305,746
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 478,325	\$ 552,515	\$ 1,030,840
Changes in actuarial assumptions	1,451,890	2,106,450	3,558,340
Total Deferred Inflows of Resources	\$ 1,930,215	\$ 2,658,965	\$ 4,589,180

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$5,669,863 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2024 (i.e. recognized in the city's financial statements September 30, 2025).

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

	Texas Municipal Retirement System	Abilene Firemen's Relief and Retirement Fund
Year ended September 30:		
2025	\$ 1,819,032	\$ 828,090
2026	2,620,382	1,345,590
2027	6,721,200	(1,733,974)
2028	(2,985,240)	(1,166,901)
2028	-	244,766
Thereafter	-	353,758
Total	<u>\$ 8,175,374</u>	<u>\$ (128,671)</u>

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits Plan

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members with optional coverage for their retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the member'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. As the SBDF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an 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 based upon the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

Membership

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

Actuarial Valuation Measurement Date	December 31, 2023
Inactive employees currently receiving benefits	780
Inactive employees entitled to but not receiving benefits	218
Active employees	1,047
Total	<u>2,045</u>

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, 2022. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. A summary of the actuarial assumptions is listed below:

Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
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	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Changes in Total OPEB Liability

Changes in the City's total OPEB liability for the fiscal year ended September 30, 2024 are as follows:

Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year December 31, 2022 *	\$ 4,169,121
Changes for the year	
Service Cost	149,006
Interest on Total OPEB Liability	168,164
Changes of benefit terms	-
Difference between expected and actual experience	(13,990)
Changes in assumptions or other inputs	215,711
Benefit payments **	(182,871)
Net changes	336,020
Total OPEB Liability - end of year December 31, 2023 *	<u>\$ 4,505,141</u>

* 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	1% Increase
2.77%	Rate	4.77%
	3.77%	
<u>\$ 5,285,745</u>	<u>\$ 4,505,141</u>	<u>\$ 3,887,060</u>

OPEB Expense

For the fiscal year ended September 30, 2024, the City recognized total OPEB expense of \$148,354. OPEB expenses recognized is as follows:

OPEB Expense	
Service Cost	\$ 149,006
Interest on total OPEB liability	168,164
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources	
Differences between expected and actual experience	(112,491)
Changes in assumptions or other inputs (1)	(56,325)
Total OPEB expense	<u>\$ 148,354</u>

Schedule of Deferred Outflows and Inflows of Resources

At September 30, 2024, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 120,787
Changes in assumptions and other inputs	339,606	1,067,273
Contributions made subsequent to measurement date	143,821	-
Total	<u>\$ 483,427</u>	<u>\$ 1,188,060</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$143,821, will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2024 (i.e. recognized in the city's financial statements September 30, 2025).

Other amounts reported as deferred outflows of resources related to OPEB at September 30, 2024 will be recognized in OPEB expense as follows:

Year ended September 30:	Deferred Outflows / (Inflows) of Resources
2025	\$ (293,033)
2026	(370,020)
2027	(209,394)
2028	23,993
Total	<u>\$ (848,454)</u>

NOTE 12: 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. The City has a liability insurance policy for bodily injury and property damage for the airport through Texas Municipal League Intergovernmental Risk Pool (TMLRP). The airport insurance coverage is \$1,000,000 per occurrence. Through TMLRP, the City has general liability and error & omissions liability coverage at \$3,000,000 per occurrence, and law enforcement liability coverage at \$2,000,000 per occurrence. The City informally budgets for current claims based on actuarial valuations and historical data. The City incurred \$551,779 for liability claims and paid \$440,111 for liability insurance premiums for the year ended September 30, 2024. The City remains self-insured in regards to general and professional liability for claims under \$50,000 per occurrence.

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 \$11,501,999 in health and prescription claims and paid \$769,730 for administrative costs for the year ended September 30, 2024. The City contributed \$7,536,557 and City employees contributed \$3,284,053 to the health insurance program for the year ended September 30, 2024. Retirees and other agency contributions were \$169,816 for the year ended September 30, 2024.

Estimated health claims that have been incurred but not reported are accrued at year end. The estimated liability for health claims is \$599,839 at September 30, 2024. 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, 2022, 2023 and 2024:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated health claims:				
2022	\$ 1,008,041	\$ 10,028,873	\$ 10,178,993	\$ 857,921
2023	857,921	10,534,279	10,631,079	761,121
2024	761,121	11,340,717	11,501,999	599,839

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 \$24,793 and \$24,808, respectively, for the year ended September 30, 2024.

Property Insurance

The City's property insurance program through TMLIRP included a blanket property insurance policy of \$692,611,562 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 \$8,551,131 of coverage on mobile equipment with a deductible of \$250,000. Automobile physical damage coverage of \$10,000,000 was maintained on the fleet with a deductible of \$250,000. The City paid \$1,310,044 in property insurance premiums and \$127,283 for property claims for the year ended September 30, 2024. The following is a walkforward of the activity in the estimated liability account for the year ended September 30, 2022, 2023 and 2024:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated liability claims:				
2022	\$ -	\$ 276,224	\$ 276,224	\$ -
2023	-	159,434	159,434	-
2024	-	124,283	124,283	-

Workers' Compensation

The City's workers' 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 \$996,291 in worker's compensation claims for the year ended September 30, 2024, and \$239,895 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 \$3,141,430 at September 30, 2024. 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, 2022, 2023 and 2024:

	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
Estimated liability claims:				
2022	\$ 4,264,867	\$ 839,810	\$ 1,238,142	\$ 3,866,535
2023	3,866,535	618,011	1,075,872	3,408,674
2024	3,408,674	996,291	1,263,535	3,141,430

Summary

The Self-Insurance Fund net position was \$5,056,748 at September 30, 2024.

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 13: 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. The following amounts of due to other funds or due from other funds are included in the fund financial statements:

	Due From Other Funds	Due To Other Funds
General Fund:		
Major Governmental Fund	\$ 285,074	\$ -
Nonmajor Governmental Funds	578,268	-
Major Enterprise Fund	150,801	-
Nonmajor Enterprise Fund	3,673,999	-
Total General Fund	<u>4,688,142</u>	<u>-</u>
Major Governmental Fund		
General Fund	-	285,074
Total Major Governmental Funds	<u>-</u>	<u>285,074</u>
Nonmajor Governmental Funds:		
General Fund	-	578,268
Total Nonmajor Governmental Funds	<u>-</u>	<u>578,268</u>
Enterprise Funds		
Major Enterprise Fund		
General Fund	-	150,801
Total Major Enterprise Funds	<u>-</u>	<u>150,801</u>
Nonmajor Enterprise Funds:		
General Fund	-	3,673,999
Total Nonmajor Enterprise Funds	<u>-</u>	<u>3,673,999</u>
Total Enterprise Funds	<u>-</u>	<u>3,824,800</u>
Total All Funds	<u>\$ 4,688,142</u>	<u>\$ 4,688,142</u>

NOTE 14: INTERFUND TRANSFERS

Interfund transfers relate to the funding of deficits by the general fund to the health services fund, transit fund, miscellaneous grants fund, self-insurance fund, and excess amounts to the general fund from the solid waste services fund. Transfers were also made 1) from the general fund and street maintenance fund fund from the solid waste fund, 2) from the capital projects fund to the internal service fund and 3) from the general fund to the infill development fund for the Rebuild ABI program, 4) from the internal service fund to the capital project fund, 5) from the water, stormwater, and solid waste funds to the capital project fund. The airport fund also received \$145,640 for capital improvements from the capital project fund. Transfers for the year ended September 30, 2024 are as follows:

	Transfer In	Transfer Out
General Fund:		
Capital Project Fund	\$ -	\$ 14,021,949
Nonmajor Governmental Funds	74,903	5,650,934
Solid Waste Enterprise Fund	2,500,000	-
Nonmajor Enterprise Fund	-	2,096,780
Internal Service Fund	-	481,500
Total General Fund	<u>2,574,903</u>	<u>22,251,163</u>
Capital Project Fund		
General Fund	14,021,949	-
Nonmajor Governmental Funds	16,070,130	2,110,891
Water Enterprise Fund	172,770	-
Solid Waste Enterprise Fund	249,046	-
Airport Enterprise Fund	-	145,640
Nonmajor Enterprise Fund	135,050	-
Internal Service Funds	60,052	696,748
Total Capital Project Fund	<u>30,708,997</u>	<u>2,953,279</u>
Nonmajor Governmental Funds:		
General Fund	5,650,934	74,903
Capital Project Fund	2,110,891	15,999,880
Solid Waste Enterprise Fund	1,800,000	-
Nonmajor Governmental Funds	<u>1,557,166</u>	<u>1,557,166</u>
Total Nonmajor Governmental Funds	<u>11,118,991</u>	<u>17,631,949</u>

Enterprise Funds		
Water Enterprise Fund		
Capital Project Fund	-	172,770
Internal Service Funds	-	70,000
Airport Enterprise Fund		
Capital Project Fund	145,640	-
Solid Waste Enterprise Fund		
General Fund	-	2,500,000
Capital Project Fund	-	249,046
Nonmajor Governmental Funds	-	1,800,000
Internal Service Funds	-	175,000
Nonmajor Enterprise Funds:		
General Fund	2,096,780	-
Capital Project Fund	-	205,300
Total Enterprise Funds	<u>2,242,420</u>	<u>5,172,116</u>
Internal Service Funds:		
General Fund	481,500	-
Capital Project Funds	696,748	60,052
Water Enterprise Fund	70,000	-
Solid Waste Enterprise Fund	175,000	-
Total Internal Service Funds	<u>1,423,248</u>	<u>60,052</u>
Total All Funds	<u>\$ 48,068,559</u>	<u>\$ 48,068,559</u>

NOTE 15: LITIGATION

At September 30, 2024, 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 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

Development Corporation of Abilene (DCOA)

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.

DCOA's cash balances consist solely of demand deposits and money markets mutual funds, all with original maturities of three months or less. DCOA's investments in debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in money market mutual funds are carried at amortized cost.

DCOA defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at acquisition date.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30-50 years
Machinery and equipment	3-15 years
Improvements other than buildings	10-30 years

DCOA provides loans to new and expanding businesses that meet certain qualifications aligned with DCOA's purpose. In some instances, the loans are given in the form of forgivable loans and are forgiven over the contracted period if all requirements are met.

DCOA leases a portion of its property to various companies and businesses who use the space to conduct their operations. DCOA recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, DCOA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how DCOA determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- DCOA uses the lessee's rate, or the rate disclosed in the agreement. If the rate is not readily available, DCOA uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

DCOA monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

During fiscal year 2023, DCOA awarded an incentive to an area business and placed \$1.2 million in an escrow. The funds are released from escrow as the business incurs qualifying expenditures. The incentive expires in 2028.

DCOA had ten employees as of September 30, 2024. DCOA has an agreement with the City to manage and account for the pension expenses related to their involvement in the Texas Municipal Retirement System (TMRS) and employee healthcare benefits (group health vision, dental, FSA.HSA, etc.).

For the year ended September 30, 2024, actual expenditures in the General Fund exceeded appropriations by \$9,713,997, mainly due to increased economic and capital projects undertaken by the Corporation. Encumbrance accounting is employed in governmental funds, but all operating encumbrances are liquidated at year-end. Only encumbrances for capital project contracts roll forward to the next fiscal year to increase following year capital budgets.

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2024 include demand deposits and money markets in DCOA's name. Demand deposits of \$4,833,137 with a book value of \$4,139,084 in DCOA's name are entirely covered by FDIC insurance and pledged collateral held by DCOA's agent. Money markets with a balance of \$6,668,051 as of September 30, 2024 are carried at amortized cost.

Investment

Investments at September 30, 2024 include U.S. Treasury Securities in the amount of \$14,853,809. These securities are classified as Level 1 in the valuation hierarchy.

Accounts Receivable

Receivables, excluding leases, at September 30, 2024 including applicable allowances for uncollectible accounts, consist of the following:

Receivables:	
Sales tax	\$ 2,513,951
Accrued interest	85,425
Notes receivable	10,371,588
Other	176,755
Gross receivables	13,147,719
Less allow ance for doubtful accounts	(2,107,089)
Net total receivables	<u>\$ 11,040,630</u>

DCOA provides funds to other entities in which requirements, contained within agreements between DCOA and the recipients, are to be met or funds are required to be returned to DCOA. Notes receivable are recorded until requirements are met. At the time requirements are met, DCOA reduces its receivables and recognizes economic development expenses. Notes receivable of \$10,371,588 at September 30, 2024, are economic development agreements with external entities.

Lease Receivable

DCOA leases a portion of its property to various companies and businesses who use the space to conduct their operations, the terms of which expire 2025 through 2047. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. DCOA recognized \$3,199,954 in lease revenue and \$334,308 in interest revenue during the current fiscal year related to these leases. As of September 30, 2024, DCOA receivable for lease payments was \$22,753,486. Also, DCOA has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of the deferred inflow of resources was \$22,256,212.

The following is a schedule by year of minimum payments to be received under DCOA's leases that are included in the measurement of the lease receivable as of September 30, 2024:

Lease Receivable

Fiscal Year	Principal	Interest	Total
2025	\$ 2,828,251	\$ 297,883	\$ 3,126,134
2026	2,154,783	263,267	2,418,050
2027	2,198,822	233,100	2,431,922
2028	2,257,567	202,099	2,459,666
2029	2,289,148	170,518	2,459,666
2030-2034	7,039,542	440,709	7,480,251
2035-2039	1,433,371	224,775	1,658,146
2040-2044	1,561,620	124,630	1,686,250
2045-2047	990,382	21,366	1,011,748
	<u>\$ 22,753,486</u>	<u>\$ 1,978,347</u>	<u>\$ 24,731,833</u>

GASB No. 87 Excluded Leases – Regulated

In accordance with GASB No. 87, DCOA does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and aeronautical users. Regulated leases include hangars and space in the terminal building, as well as land leases used for aeronautical purposes. The revenue recognized for these leases during the year ended September 30, 2024 was \$284,609.

Future minimum lease payments for regulated leases are as follows:

Fiscal Year	Amount
2025	\$ 288,590
2026	292,628
2027	296,721
2028	74,827
	<u>\$ 952,766</u>

Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

	Balance September 30, 2023	Additions/ Completions	Decreases/ Transfers	Balance September 30, 2024
Capital assets, not being depreciated:				
Land	\$ 2,694,232	\$ 2,543,249	\$ (61,765)	\$ 5,175,716
Construction in Progress	1,237,752	1,158,545	(1,979,911)	416,386
Total capital assets, not being depreciated	3,931,984	3,701,794	(2,041,676)	5,592,102
Capital assets, being depreciated:				
Buildings and improvements	25,311,780	34,306	1,979,911	27,325,997
Improvements other than buildings	21,933,404	-	-	21,933,404
Machinery and equipment	7,264	-	-	7,264
Vehicles	70,862	-	-	70,862
Total assets being depreciated	47,323,310	34,306	1,979,911	49,337,527
Less accumulated depreciation for:				
Buildings and improvements	(10,108,643)	(681,489)	-	(10,790,132)
Improvements other than buildings	(6,783,984)	(786,753)	-	(7,570,737)
Machinery and equipment	(7,264)	-	-	(7,264)
Vehicles	(66,276)	(4,586)	-	(70,862)
Total accumulated depreciation	(16,966,167)	(1,472,828)	-	(18,438,995)
Total capital assets being depreciated, net	30,357,143	(1,438,522)	1,979,911	30,898,532
Capital assets, net	<u>\$ 34,289,127</u>	<u>\$ 2,263,272</u>	<u>\$ (61,765)</u>	<u>\$ 36,490,634</u>

Depreciation expense for the fiscal year ending September 30, 2024 totaled \$1,472,828.

Long-term liabilities

The following is a summary of DCOA's changes in long-term liabilities for the year ended September 30, 2024:

	Balance at September 30, 2023	Additions	Retirements	Balance at September 30, 2024	Due within one year
Governmental Activities:					
Compensated absences	\$ 72,909	\$ 46,173	\$ (57,319)	\$ 61,763	\$ 6,176
Total Governmental Activities	<u>\$ 72,909</u>	<u>\$ 46,173</u>	<u>\$ (57,319)</u>	<u>\$ 61,763</u>	<u>\$ 6,176</u>

Commitments

The following is a summary of DCOA's commitments at September 30, 2024. which are conditional until various incentives are net by the companion listed below:

Project	Balance Committed
TSTC New Abilene Campus	\$ 2,000,000
Marigold and Fulwiler Street Upgrade	2,552,429
City Street Maintenance Fund (2019-2023)	468,803
City Street Maintenance Fund (2024-2028)	10,000,000
Great Lakes Cheese (Project Legacy) - Job Creation	6,000,000
ACU Next Lab (Project Future Hope) 2021	1,758,000
Lancium (Project Artemis) 2021	2,500,000
Broadwind Heavy Fabrications (Project Backbone) 2022	300,000
HMC Operations Center (Project Double T) 2021	924,000
Bridgestone/Bandag (Project Eagle II) 2022	3,000,000
ABI Windows (Project Bonanza) 2023	5,795,502
United Ag & Turf (Quality Implement) 2021	727,600
Petrosmith (Project Morello) 2023	200,000
Petrosmith (Project Morello) 2023	2,750,000
AbiMar (Project Zephyr) 2024	463,100
ACUFloor (Project Balance) 2024	17,000
Hardin-Simmons University (Project Campo) 2023	49,900
DEEAG - Dyess Fiber & 5G Expansion	169,880
Project Roadrunner 2024	10,536,000
JLUS - Implementation	23,066
DEEAG - Dyess Security Center	9,292
	<u>\$ 50,244,572</u>

Risk Management

DCOA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. DCOA maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to DCOA. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

ABILENE CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION (ACCHDC)

Significant Accounting Policies

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

For purposes of the statement of cash flow, ACCHDC considers cash on hand, cash in banks, money market mutual funds, and investments with original maturities of three months or less to be cash equivalents.

The investments of ACCHDC are governed by the Texas Public Funds Investment Act, City of Abilene investment policy, and the bond indenture. In accordance with this policy, ACCHDC may invest in obligations of or guaranteed by the United States government and its agencies and instrumentalities with a readily determinable fair value, fully collateralized certificates of deposit, local government investment pools, and no-load money market mutual funds, all of which are authorized by state law.

The money market fund is measured using the amortized cost method of valuation to transact at a \$1.00 share price with the net asset value of the fund normally expected to be \$1 per share.

Inventories are stated at cost. All inventory purchases are recorded as inventory acquisitions (current assets) at the time of purchase. The expense is recognized when inventory is issued or consumed.

Prepaid items are goods and services that are paid for in advance and are applicable to future accounting periods. Using the consumption method, prepaid items are recorded as expenses as the goods or services are used.

Certain proceeds of hotel 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.

ACCHDC defines capital assets as assets with an 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 more than one year. 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 and are charged to operations as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

When assets are placed in service, depreciation is computed using the straight-line method over the estimated useful or service lives of the related assets. The estimated useful life of buildings is 40 years, the estimated useful life of building components is 20 years, and the estimated useful life of furniture, fixtures, and equipment range from 3 to 10 years.

Bond premiums are included in the carrying amount of the bonds, and amortized as a component of interest expense over the applicable term of the bonds using the effective interest method.

ACCHDC is exposed to various risks through economic volatility, liability and casualty losses. Fluctuations in the economy can affect revenue streams. To mitigate this risk, the Hotel continually evaluates local conditions and adjusts on a daily basis the rates charged to obtain the optimal balance of occupancy and revenue. The Hotel also maintains various liability insurance coverages with individual and aggregate limits between \$4,000,000 and \$10,000,000. Property and casualty insurance are maintained for the building and contents of the Hotel.

Cash Equivalents and Investments

The ACCHDC maintained the following cash equivalents and investments balances at September 30, 2024:

Type	Value	Weighted Average Maturity (Years)
Deposits with financial institutions	\$ 1,523,577	
First American Government Obligation Fund Class X (money market mutual fund)	5,811,859	0.07
Total cash and investments	<u>\$ 7,335,436</u>	

Portfolio weighted average maturity in years: 0.07

Shown in the statements in the following line items:

Cash and cash equivalents	\$ 1,516,077
Restricted cash and cash equivalents	5,819,359
Total cash and investments	<u>\$ 7,335,436</u>

Interest Rate Risk and Concentration Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. In accordance with the bond indenture, funds are held in trust with U.S. Bank and invested as directed by ACCHDC. Funds are invested in permitted investments maturing no later than the date required for their specified purpose.

The percentage of each individual investment in total investment assets are stated below.

Investment Type	Value	% of Total Portfolio
First American Government Obligation Fund Class X (money market mutual fund)	\$ 5,811,859	100%
Total investments	<u>\$ 5,811,859</u>	<u>100%</u>

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. This type of risk is typically expressed in terms of credit ratings issued by a nationally recognized statistical rating organization. The ACCHDC reduces credit risk by limiting investments to those instruments allowed by the Texas Public Funds Investment, City of Abilene investment policy, and the bond indenture. The First American Government Obligation Fund Class X held a credit rating of AAAM by Standard & Poor's as of September 30, 2024.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, deposits or collateral securities that are in possession of an outside party will not be recovered. ACCHDC's demand deposits had a carrying value of \$1,523,577 at year end. As of September 30, 2024, \$1,266,077 of those deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized. Obligations that may be pledged as collateral, when needed, 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.

Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

	Balance September 30, 2023	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2024
Capital assets, being depreciated:				
Building	33,503,505	24,764	-	33,528,269
Machinery and equipment	8,431,813	526,448	-	8,958,261
Total assets being depreciated	41,935,318	551,212	-	42,486,530
Less accumulated depreciation for:				
Building	(209,397)	(838,104)	-	(1,047,501)
Machinery and equipment	(296,536)	(1,229,970)	-	(1,526,506)
Total accumulated depreciation	(505,933)	(2,068,074)	-	(2,574,007)
Total capital assets being depreciated, net	41,429,385	(1,516,862)	-	39,912,523
Capital assets, net	\$ 41,429,385	\$ (1,516,862)	\$ -	\$ 39,912,523

The depreciation expense for the year ended September 30, 2024 was \$2,068,074.

Long-Term Debt

The changes in the ACCHDC long-term liabilities for the year ending September 30, 2024 are as follows:

	Balance at September 30, 2023	Additions	Retirements	Balance at September 30, 2024	Due Within One Year
Hotel Revenue Bonds	\$ 43,045,000	\$ -	\$ -	\$ 43,045,000	\$ 205,000
Note Payable	2,520,000	1,912,713	-	4,432,713	-
Bond Premiums	2,672,019	-	(95,429)	2,576,590	-
Total Long- term Debt	\$ 48,237,019	\$ 1,912,713	\$ (95,429)	\$ 50,054,303	\$ 205,000

On November 7, 2019 the ACCHDC entered into an economic development agreement with the City of Abilene. Under the terms of the agreement, the City agreed to provide a cash contribution in an amount of \$2,520,000 to be used by ACCHDC for payment of its portion of the development phase of the downtown convention center hotel project. In 2024, the City provided \$1,912,713 in funding to ACCHDC to support debt service payments. This included \$773,189 on March 22, 2024, for the April 2024 debt service payment and \$1,139,524 on September 26, 2024, for the October 2024 debt service payment. When all of ACCHDC's bond issuance obligations have been repaid, ACCHDC will repay the City, from its net operating income the \$4,432,713 note.

On September 23, 2021, the ACCHDC issued its \$19,435,000 First-Lien Hotel Revenue Bonds, Series 2021A and \$23,610,000 Second-Lien Hotel Revenue Bonds, Series 2021B. The proceeds for the Series 2021 Bonds, together with other sources of funds, including the Hotel Equity Contribution will be used to (a) finance the costs required to design, develop, construct, equip, furnish and open a full-service upscale hotel, having approximately 200 rooms to include guestrooms and suites, appropriate support facilities such as a restaurant(s), a lounge(s), or bar(s), supporting back-of-the-house areas, and food preparation facilities (to the extent not constructed as City facilities), together with such other amenities and features characteristic of a full-service convention center hotel (the "Hotel"); (b) fund capitalized interest (which is intended to cover the period commencing with the date of issuance of the Series 2021 Bonds through six months following the Opening Date of the project); (c) fund debt service reserve funds for the Series 2021 Bonds; (d) fund certain pre-opening expenses; and (e) pay certain costs of issuing the Series 2021 Bonds. The City Facilities, which consist of new public convention, conference, meeting and exhibit space, meeting rooms, ballroom facilities, a surface parking facility and related infrastructure adjacent to the hotel and in the immediate vicinity of the Abilene Convention Center, will be funded with the proceeds of certificates of obligation issued by the City, the city facilities equity contribution, and other available funds of the City.

The following is a schedule of Hotel Revenue Bonds outstanding as of September 30, 2024:

	Date of Issue	Amount of Original Issue	True Interest Cost	Maturity and Option Dates	Amount Outstanding 9/30/24
Hotel Revenue Bond, Series 2021A First-Lien Bonds	09/23/2021	\$ 19,435,000	3.463398%	10-1- 50/31	\$ 19,435,000
Hotel Revenue Bond, Series 2021B Second-Lien Bonds	09/23/2021	23,610,000	4.711933%	10-1- 50/31	23,610,000
					<u>\$ 43,045,000</u>

The future maturities of the bond principal and interest requirements as of September 30, 2024 are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total Requirement
2025	\$ 205,000	\$ 1,870,212	\$ 2,075,212
2026	730,000	1,856,212	2,586,212
2027	750,000	1,832,994	2,582,994
2028	805,000	1,808,556	2,613,556
2029	845,000	1,782,588	2,627,588
2030 - 2034	5,060,000	8,435,375	13,495,375
2035 - 2039	6,905,000	7,151,175	14,056,175
2040 - 2044	9,335,000	5,314,875	14,649,875
2045 - 2049	12,410,000	2,850,525	15,260,525
2050 - 2052	6,000,000	278,100	6,278,100
	<u>\$ 43,045,000</u>	<u>\$ 33,180,612</u>	<u>\$ 76,225,612</u>

Related Party Transactions

Hotel Management Agreement/Franchise Agreement

The ACCHDC entered into a Management Agreement with Doubletree Management LLC (manager) to operate the Hotel. In conjunction with the Management Agreement, the ACCHDC will pay the manager a percentage of revenue for managing the Hotel in the amount of 2% of total operating revenue from the opening date until December 31st of the same operating year. The second-year fee will be 2.5% of total operating revenues and the third year and thereafter will be 3%. The total amounts paid during 2024 was \$217,652.

In addition, the ACCHDC will pay the manager, for management services and also fund centralized purchasing for goods, supplies, equipment and services for the Hotel. Amounts will be approved in the annual budget and may be modified with 60 days' notice.

A monthly program fee will be paid to the manager at the rate of 4% of the Hotel's gross rooms revenue. The total amounts paid during 2024 was \$291,058.

Further, a monthly royalty fee will also be paid to the manager in the amount of 3% of the Hotel's gross rooms revenue during the first twelve months after the opening date, and will be 4% for the second full calendar year, and 5% thereafter. The total amounts paid during 2024 was \$236,792.

Rebate Agreement

The ACCHDC entered into a rebate agreement with the City of Abilene which provides that the City is entitled to revenues under Chapter 351 of the Texas Tax Code for a period of 10 years commencing with July 11, 2023. These revenues include the state portion of the hotel occupancy and sales taxes derived from the Hotel. These revenues are pledged to the City's certificates of obligation for the City facilities. Total amounts rebated to the City during 2024 totaled \$547,591.

Contingencies

In the ordinary course of business, ACCHDC may become involved in various legal proceedings and claims. After consultation with legal counsel, the management of ACCHDC believes the outcome of these matters will not materially affect the financial position, changes in financial position, or cash flows of ACCHDC as of September 30, 2024.

NOTE 17: 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.

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, zoo and recreation centers, city facilities and the airport.

At fiscal year end, the City's commitments with contractors and vendors are as follows:

Capital Projects	Spent- to- date	Remaining Commitments
Governmental Activities:		
Public safety	\$ 2,630,956	\$ 3,001,923
Streets and traffic	22,289,874	13,530,052
Public recreation and cultures	4,704,672	3,568,071
Building improvements	2,407,907	393,135
Business-Type Activities:		
Water and Sewer	22,927,204	11,334,744
Airport construction	2,834,449	2,615,385
Total	<u>\$ 57,795,062</u>	<u>\$ 34,443,310</u>

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

NOTE 18: NEW PRONOUNCEMENTS

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2024. The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

Statement No.	Title	Adoption Required
101	<i>Compensated Absences</i>	September 30, 2025
102	<i>Certain Risk Disclosures</i>	September 30, 2025
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	September 30, 2026

NOTE 19: SUBSEQUENT EVENTS

In November 2024, the City issued \$8,025,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024. The Certificates will be used for the public purpose of (i) acquiring, constructing and equipping public safety improvements for the police and fire departments, including the acquisition of radio equipment and microwave communications infrastructure and technology, (ii) acquiring, constructing, and equipping additions, improvements, and extensions for the City's municipal airport, (iii) acquiring land and interests in land necessary for such projects; and (iv) paying the costs associated with the issuance of the Certificates.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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 REFUNDING BONDS, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

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 the executed Bonds.

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 and refinanced therewith and the report or certificate verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the refunded obligations when due. 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

8 Greenway Plaza
Suite 1025
Houston, Texas 77046
T 713.980.0500
F 713.980.0510

112 East Pecan Street
Suite 1310
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984



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 CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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,

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