OFFICIAL STATEMENT DATED SEPTEMBER 10, 2015

Ratings: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"
(See "OTHER RELEVANT INFORMATION – Ratings")

NEW ISSUES – Book-Entry-Only

In the opinion of Bond Counsel, interest on the Obligations is excludable from gross income for federal income tax purposes under existing law and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" in this document for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$236,905,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Improvement and Refunding Bonds, Series 2015

$43,710,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Certificates of Obligation, Series 2015

$14,450,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties)
Public Property Finance Contractual Obligations, Series 2015

Dated Date: October 1, 2015 | Due: As shown on the inside cover page

Interest on the City of Austin, Texas $236,905,000 Public Improvement and Refunding Bonds, Series 2015 (the "Bonds"), the City of Austin, Texas $43,710,000 Certificates of Obligation, Series 2015 (the "Certificates") and the City of Austin, Texas $14,450,000 Public Property Finance Contractual Obligations, Series 2015 (the "Contractual Obligations") will accrue from the dated date shown above, and in the case of the Bonds and Certificates will be payable March 1, 2016, and each September 1 and March 1 thereafter until maturity or redemption prior to maturity, and in the case of the Contractual Obligations will be payable May 1, 2016, and each November 1 and May 1 thereafter until maturity, and will be calculated on the basis of a 360–day year consisting of twelve 30–day months. The Bonds, the Certificates, and the Contractual Obligations are collectively referred to as the "Obligations". The Bonds, the Certificates, and the Contractual Obligations are being offered separately by the City of Austin, Texas (the "City"), and delivery of each issue is not contingent upon the delivery of the other issues. The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such book-entry-only system will affect the method and timing of payment and the method of transfer of the Obligations (see "OBLIGATION INFORMATION – Book-Entry-Only System") in this document.

The Bonds are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the issuance of the Bonds. The Certificates are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and are additionally payable from and secured by a limited pledge of surplus revenues (not to exceed $1,000) of the City's solid waste disposal system, as provided in the ordinance authorizing the issuance of the Certificates. The Contractual Obligations are direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the issuance of the Contractual Obligations. See "OBLIGATION INFORMATION – Security" in this document.

Proceeds from the sale of the Bonds will be used to refund portions of the City's outstanding general obligation debt shown in APPENDIX D hereto (the "Refunded Obligations") for savings, to finance various capital improvements, and to pay costs of issuing the Bonds and of refunding the Refunded Obligations. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuing the Certificates. Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment and other personal property for use by various City departments and to pay costs of issuing the Contractual Obligations. See "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document.

MATURITY SCHEDULE

See "MATURITY SCHEDULE" on next page

The Bonds and the Certificates are subject to redemption prior to their stated maturities as described in "OBLIGATION INFORMATION – Optional Redemption of the Bonds and the Certificates" in this document. The Contractual Obligations are not subject to redemption prior to their stated maturity.

The Obligations are offered for delivery when, as and if issued and accepted by the Underwriters, subject to the approving opinions of the Attorney General of the State of Texas and of Andrews Kurth LLP, Austin, Texas, Bond Counsel. See APPENDIX C – "Forms of Bond Counsel's Opinions" in this document. Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas.

It is expected that the Obligations will be delivered through the facilities of DTC on or about October 6, 2015.

JEFFERIES

FirstSouthwest | **Piper Jaffray & Co.**
Ramirez & Co., Inc. | **Mesirow Financial, Inc.**

MATURITY SCHEDULE

$236,905,000
CITY OF AUSTIN, TEXAS
Public Improvement and Refunding Bonds, Series 2015
Base CUSIP No. 052397 (1)

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield		CUSIP Suffix
2016	$4,970,000	2.000%	0.390%	AA4	2026	$21,855,000	5.000%	2.570%	(2)	AL0
2017	2,830,000	3.000%	0.670%	AB2	2027	37,095,000	2.950%	2.920%	(2)	AM8
2018	8,695,000	4.000%	0.960%	AC0	2028	5,735,000	3.150%	3.110%	(2)	AN6
2019	12,025,000	5.000%	1.260%	AD8	2029	5,920,000	3.300%	3.260%	(2)	AP1
2020	14,490,000	5.000%	1.530%	AE6	2030	6,115,000	3.400%	3.375%	(2)	AQ9
2021	14,440,000	5.000%	1.820%	AF3	2031	8,320,000	4.000%	3.410%	(2)	AR7
2022	13,220,000	5.000%	2.020%	AG1	2032	7,555,000	4.000%	3.460%	(2)	AS5
2023	17,055,000	5.000%	2.190%	AH9	2033	4,805,000	4.000%	3.510%	(2)	AT3
2024	19,525,000	5.000%	2.320%	AJ5	2034	5,100,000	4.000%	3.550%	(2)	AU0
2025	18,215,000	5.000%	2.450%	AK2	2035	8,940,000	4.000%	3.580%	(2)	AV8

(Interest to accrue from the Dated Date)

$43,710,000
CITY OF AUSTIN, TEXAS
Certificates of Obligation, Series 2015
Base CUSIP No. 052397 (1)

Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Initial Yield		CUSIP Suffix
2016	$1,545,000	2.000%	0.390%	AW6	2026	$2,125,000	5.000%	2.570%	(2)	BG0
2017	1,435,000	3.000%	0.670%	AX4	2027	2,230,000	5.000%	2.660%	(2)	BH8
2018	1,475,000	4.000%	0.960%	AY2	2028	2,345,000	5.000%	2.750%	(2)	BJ4
2019	1,535,000	5.000%	1.260%	AZ9	2029	2,460,000	5.000%	2.840%	(2)	BK1
2020	1,615,000	5.000%	1.530%	BA3	2030	2,585,000	5.000%	2.920%	(2)	BL9
2021	1,695,000	5.000%	1.820%	BB1	2031	2,715,000	5.000%	2.990%	(2)	BM7
2022	1,780,000	5.000%	2.020%	BC9	2032	2,850,000	5.000%	3.040%	(2)	BN5
2023	1,870,000	5.000%	2.190%	BD7	2033	2,990,000	5.000%	3.090%	(2)	BP0
2024	1,960,000	5.000%	2.320%	BE5	2034	3,140,000	5.000%	3.130%	(2)	BQ8
2025	2,060,000	3.250%	2.450%	BF2	2035	3,300,000	5.000%	3.160%	(2)	BR6

(Interest to accrue from the Dated Date)

$14,450,000
CITY OF AUSTIN, TEXAS
Public Property Finance Contractual Obligations, Series 2015
Base CUSIP No. 052397 (1)

Maturity (May 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix	Maturity (November 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix
2016	$880,000	2.000%	0.350%	BS4	2016	$930,000	2.000%	0.450%	BT2
2017	940,000	3.000%	0.600%	BU9	2017	955,000	3.000%	0.720%	BV7
2018	970,000	4.000%	0.900%	BW5	2018	985,000	4.000%	1.020%	BX3
2019	1,005,000	5.000%	1.210%	BY1	2019	1,030,000	5.000%	1.300%	BZ8
2020	1,060,000	5.000%	1.450%	CA2	2020	1,085,000	5.000%	1.560%	CB0
2021	1,110,000	5.000%	1.740%	CC8	2021	1,140,000	5.000%	1.850%	CD6
2022	1,165,000	5.000%	1.970%	CE4	2022	1,195,000	5.000%	2.040%	CF1

(Interest to accrue from the Dated Date)

Concurrent Issues . . . The Bonds, the Certificates and the Contractual Obligations (collectively, the "Obligations") are being offered concurrently by the City under a common Official Statement. The Bonds, the Certificates, and the Contractual Obligations are separate and distinct securities offerings issued and sold independently except for this Official Statement, and while they share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the rights of the City to redeem the Obligations, the federal, state and local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

Concurrently with the sale of the Obligations to the Underwriters, the City executed a bond purchase agreement in connection with the sale of its Public Improvement Bonds, Taxable Series 2015 in the aggregate principal amount of $10,000,000 (the "Taxable Bonds").

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(1) CUSIP numbers are included solely for the convenience of owners of the Obligations. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield to first optional call date.

The Bonds, the Certificates, and the Contractual Obligations (collectively, the "Obligations") are offered by the City under a common Official Statement. The Bonds, the Certificates, and the Contractual Obligations are separate and distinct securities offerings being issued and sold independently, except for the common Official Statement; while the Obligations share certain common attributes, each issue is separate from the others and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

No dealer, broker, salesman or other person has been authorized by the City or by the purchasers in the initial offering of all or any of the Obligations (collectively the "Underwriters") to give any information or to make any representations, other than as contained in this document, and if given or made such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Obligations, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is submitted in connection with the sale of securities referred to in this document and may not be reproduced or used for any other purpose. In no instance may this Official Statement be reproduced or used in part.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth in this document has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of the opinions in this document are subject to change without notice and neither the delivery of this document nor any sale made under the Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the other matters described since the date of this Official Statement. CUSIP numbers have been assigned to each series of Obligations by CUSIP Global Services for the convenience of the owners of the Obligations.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references are qualified in their entirety by reference to this document in its entirety and to each such document, copies of which may be obtained from the City or from Public Financial Management, Inc., the Financial Advisor to the City. Any statements made in this Official Statement or the Appendices involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Official Statement contains "forward–looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See "OTHER RELEVANT INFORMATION – Forward-Looking Statements" in this document.

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

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TABLE OF CONTENTS

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CITY OF AUSTIN

Elected Officials

		Term Expires Jan. 5
Steve Adler	Mayor	2019
Ora Houston	Councilmember District 1	2019
Delia Garza	Councilmember District 2	2017
Sabino "Pio" Renteria	Councilmember District 3	2019
Gregorio "Greg" Casar	Councilmember District 4	2017
Ann Kitchen	Councilmember District 5	2019
Don Zimmerman	Councilmember District 6	2017
Leslie Pool	Councilmember District 7	2017
Ellen Troxclair	Councilmember District 8	2019
Kathryne B. Tovo, Mayor Pro Tem	Councilmember District 9	2019
Sheri Gallo	Councilmember District 10	2017

Appointed Officials

Marc A. Ott	City Manager
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Rey Arellano	Assistant City Manager
Mark Washington	Acting Assistant City Manager
Elaine Hart, CPA	Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Anne Morgan	Interim City Attorney
Jannette Goodall	City Clerk

BOND COUNSEL
Andrews Kurth LLP
Austin, Texas

DISCLOSURE COUNSEL TO THE CITY
McCall, Parkhurst & Horton L.L.P.
Dallas and Austin, Texas

FINANCIAL ADVISOR
Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Austin, Texas

For additional information regarding the City, please contact:

Art P. Alfaro
Treasurer
City of Austin
700 Lavaca, Suite 940
Austin, TX 78701
(512) 974–7882
art.alfaro@austintexas.gov

Dennis P. Waley
Public Financial Management, Inc.
221 West 6th Street
Suite 1900
Austin, TX 78701
(512) 614–5323
waleyd@pfm.com

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this document. The offering of the Bonds, the Certificates and the Contractual Obligations (collectively the "Obligations") to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer .... The City of Austin, Texas (the "City"), is a political subdivision located in Travis, Williamson and Hays Counties, operating as a home–rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended. The City operates under the Council/Manager form of government where the mayor (elected at-large) and ten councilmembers (elected from ten single member districts) are elected for staggered four year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.

For further information about the City, see APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY" in this document.

The Bonds .... The Bonds are issued in the principal amount of $236,905,000 pursuant to the general laws of the State of Texas, particularly Chapters 1207, 1331 and 1371, Texas Government Code, elections held by the City (see "DEBT INFORMATION – Authorized General Obligation Bonds" in this document), an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Bonds (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).

The Certificates .... The Certificates are issued in the principal amount of $43,710,000 pursuant to the general laws of the State of Texas, particularly Subchapter C, Chapter 271, Texas Local Government Code, Chapter 1371, Texas Government Code ("Chapter 1371"), an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Certificates (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).

The Contractual Obligations .... The Contractual Obligations are issued in the principal amount of $14,450,000 pursuant to the general laws of the State of Texas, particularly Subchapter A, Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), Chapter 1371, an ordinance passed by the City Council of the City and a pricing certificate evidencing the final terms of sale of the Contractual Obligations (see "OBLIGATION INFORMATION – Authority and Purpose for Issuance" in this document).

Security .... Each series of the Obligations constitutes a direct obligation of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to provide for payment of principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenues (not to exceed $1,000) of the City's solid waste disposal system (see "OBLIGATION INFORMATION - Security" in this document).

Redemption of Obligations .... The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, 2026, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2025, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see "OBLIGATION INFORMATION – Optional Redemption of the Bonds and the Certificates" in this document). **The Contractual Obligations are not subject to redemption prior to their stated maturities.**

Tax Exemption .... In the opinion of Bond Counsel, the interest on the Obligations is excludable from gross income for federal income tax purposes under existing law and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" in this document for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

Concurrent Issuance of General Obligation Debt .... Concurrently with the sale of the Obligations to the Underwriters, the City executed a bond purchase agreement in connection with the sale of its Public Improvement Bonds, Taxable Series 2015 in the aggregate principal amount of $10,000,000 (the "Taxable Bonds").

Payment Record .... The City has not defaulted since 1900 when all bonds were refunded at par with a voluntary reduction in interest rates.

Selected Financial Information

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2007	732,381	$60,512,328,889	$82,624	$869,974	$1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.97	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,649	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	100.01%
2015	888,204	98,732,872,327	111,160	1,158,683(5)	1,304.52(5)	1.17%(5)	99.73%(3)
2016	908,458	111,095,413,257(4)	122,290	1,244,353(5)	1,369.74(5)	1.12%(5)	N/A

(1) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2015.
(2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer in from the Operating Budget. See "DEBT INFORMATION."
(3) Estimated Collections as of June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.
(4) Certified taxable value for the 2015 tax year provided by the Travis County Appraisal District on August 24, 2015.
(5) Includes the Obligations and Taxable Bonds (aggregate issuance of $305,065,000 par amount) and excludes $149,815,000 of the Refunded Obligations. See "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

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OFFICIAL STATEMENT

Relating to

$236,905,000
CITY OF AUSTIN, TEXAS
Public Improvement and Refunding Bonds, Series 2015

$43,710,000
CITY OF AUSTIN, TEXAS
Certificates of Obligation, Series 2015

$14,450,000
CITY OF AUSTIN, TEXAS
Public Property Finance Contractual Obligations, Series 2015

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices, provides certain information regarding the issuance by the City of Austin, Texas (the "City") of its $236,905,000 Public Improvement and Refunding Bonds, Series 2015 (the "Bonds"), its $43,710,000 Certificates of Obligation, Series 2015 (the "Certificates") and its $14,450,000 Public Property Finance Contractual Obligations, Series 2015 (the "Contractual Obligations"). The Bonds, the Certificates, and the Contractual Obligations are collectively referred to herein as the "Obligations". The Bonds, the Certificates, and the Contractual Obligations are being offered separately by the City, and delivery of each issue is not contingent upon the delivery of the other issues. Capitalized terms used in this document have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"), the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance"), and the ordinance authorizing the issuance of the Contractual Obligations (the "Contractual Obligation Ordinance"), except as otherwise indicated. The Bond Ordinance, the Certificate Ordinance, and the Contractual Obligation Ordinance are collectively referred to herein as the "Ordinances".

There follows in this document descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

OBLIGATION INFORMATION

Authority and Purpose for Issuance

The capital improvements to be financed with the proceeds of the Bonds were authorized at elections held on various dates, and passed by a majority of the participating voters in the City. The City is authorized to issue the Bonds by voter authorization pursuant to Chapters 1207, 1331 and 1371, Texas Government Code, and by the Bond Ordinance, the adoption of which is pursuant to the City Charter adopted by the voters on January 31, 1953, as amended. Proceeds from the sale of the Bonds will be used to refund portions of the City's outstanding general obligation debt as shown in APPENDIX D hereto (the "Refunded Obligations") for savings, to finance various capital improvements and to pay costs of issuing the Bonds and of refunding the Refunded Obligations. See "DEBT INFORMATION – Authorized General Obligation Bonds" in this document.

The Certificates are being issued pursuant to the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act"), Chapter 1371, Texas Government Code ("Chapter 1371"), and the Certificate Ordinance passed by the City Council. Proceeds from the sale of the Certificates will be used to finance various capital improvements and to pay costs of issuing the Certificates.

The Contractual Obligations are being issued pursuant to the general laws of the State of Texas, particularly Subchapter A of Chapter 271, Texas Local Government Code (the "Public Property Finance Act"), Chapter 1371, and the

Contractual Obligation Ordinance passed by the City Council. Proceeds from the sale of the Contractual Obligations will be used to purchase certain equipment and other personal property for use by various City departments and to pay costs of issuing the Contractual Obligations.

As permitted by Chapters 1207 (relating only to the Bonds) and 1371, Texas Government Code, the City has, in each ordinance, delegated to certain authorized officials of the City (each an "Authorized Representative") the authority to establish final terms of sale of the Obligations, which final sales terms are evidenced in separate pricing certificates (together, the "Pricing Certificates") delivered at the time the purchase agreement relating to the Obligations was executed and delivered.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on the scheduled interest payment dates and the maturity or redemption dates of such Refunded Obligations from funds to be deposited pursuant to an Escrow Agreement (the "Escrow Agreement"), between the City and U.S. Bank National Association (the "Escrow Agent"). The Bond Ordinance provides that a portion of the proceeds of the sale of the Bonds, together with available funds of the City, if any, will be deposited with the Escrow Agent in an amount necessary to accomplish the discharge and final payment of the Refunded Obligations. Such amounts will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America or obligations of an agency or instrumentality of the United States (the "Securities") to be held in the Escrow Fund. Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations to be refunded with amounts held in the Escrow Fund. The Arbitrage Group, Inc., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the 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. Such maturing principal of and interest on the Securities, and other uninvested funds in the Escrow Fund, will not be available to pay the debt service on the Bonds.

By deposit of the Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into a firm banking and financial arrangement for the discharge and final payment of the Refunded Obligations, in accordance with applicable law. As a result of such firm banking and financial arrangements, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Securities and cash held for such purpose by the Escrow Agent, and such Refunded Obligations will not be deemed as being outstanding for the purpose of any limitation on debt or the assessment of taxes.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund from lawfully available funds, or any additional amounts required to pay the principal of and interest on the Refunded Obligations, if, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payments.

Sources and Uses of Funds

The proceeds of the Obligations will be applied substantially as follows:

	The Bonds	The Certificates	The Contractual Obligations	Total
Sources of Funds:				
Principal Amount	$236,905,000.00	$43,710,000.00	$14,450,000.00	$295,065,000.00
Accrued Interest	140,838.54	28,606.25	8,482.64	177,927.43
Original Issue Premium	28,024,571.35	6,982,014.75	1,743,073.00	36,749,659.10
Total	$265,070,409.89	$50,720,621.00	$16,201,555.64	$331,992,586.53
Uses of Funds:				
Deposit to Escrow Fund	$158,626,892.26	-	-	$158,626,892.26
Deposit to Project Fund	104,630,000.00	$50,355,000.00	$16,065,000.00	171,050,000.00
Accrued Interest	140,838.54	28,606.25	8,482.64	177,927.43
Costs of Issuance	698,743.49	156,788.98	79,851.01	935,383.48
Underwriters' Discount	973,935.60	180,225.77	48,221.99	1,202,383.36
Total	$265,070,409.89	$50,720,621.00	$16,201,555.64	$331,992,586.53

General

Each series of Obligations is dated as of October 1, 2015 (the "Dated Date") and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the inside cover page of this document for each series of Obligations. Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds and the Certificates will be payable on March 1, 2016, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest on the Contractual Obligations will be payable on May 1, 2016, and on each November 1 and May 1 thereafter until maturity. Principal is payable, upon presentation, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "OBLIGATION INFORMATION - Paying Agent/Registrar" in this document). Interest is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below) and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Obligations are issued only as fully registered obligations in denominations of $5,000 or any integral multiple thereof within a maturity and a series.

Notwithstanding the foregoing, so long as records of ownership of the Obligations are maintained through the book-entry-only system described under "OBLIGATION INFORMATION – Book-Entry-Only System" in this document, all payments of principal of, redemption premium, if any, and interest on the Obligations will be made in accordance with the procedures described in "OBLIGATION INFORMATION – Book-Entry-Only System" in this document.

The record date for the interest payable on any interest payment date is the 15th day of the month next preceding such interest payment date, as specified in the Ordinances. In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar, in accordance with the provisions of the Ordinances, 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, which shall be at least 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 registered owner of Obligations 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.

Security

The Obligations constitute direct obligations of the City, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City in an amount sufficient to pay the principal of and interest on all ad valorem tax debt. The Certificates are additionally secured by and payable from a limited pledge of the surplus revenue (not to exceed $1,000) of the City's solid waste disposal system.

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 assessed valuation for all City purposes. The City operates under a Home Rule Charter, referred to as the "Charter", which also limits the City's ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes. See "TAX INFORMATION – Tax Rate Limitation" in this document.

Remedies

If the City defaults in the payment of principal, interest, or redemption price on any series of the Obligations when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in any of the Ordinances, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of duties relating to the Obligations or the requirements of the respective Ordinance authorizing the issuance of such Obligations, and the City's obligations are not uncertain or disputed. The issuance of a writ 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 Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of any series of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, 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 June 30, 2006, 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 Obligations may not be able to bring such a suit against the City for breach of the Obligations or covenants contained in the Ordinances. 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.

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 and such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

Defeasance of Obligations

Each of the Ordinances provides for the defeasance of each of the Obligations when the payment of the principal of the Obligations of such series, plus interest to the due date (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. Each of the Ordinances provides that "Defeasance Securities" means any securities now or hereafter permitted by law, including (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 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 have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for any Defeasance Security will be maintained by any particular rating category.

Book-Entry-Only System

The City has elected to utilize the book-entry-only system of The Depository Trust Company, New York, New York ("DTC"), as described under this heading. The City is obligated to timely pay the Paying Agent/Registrar the amount due under the Ordinances. See "OBLIGATION INFORMATION - Paying Agent/Registrar" in this document. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Obligations are described in this document.

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 believes this information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered Obligations 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 certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on 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 Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 the 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 Participants.

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

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

Paying Agent/Registrar

The initial Paying Agent/Registrar for each series of Obligations is U.S. Bank National Association. Interest on, and principal of, the Obligations will be payable, and transfer functions will be performed at, the corporate trust office designated to the City by the Paying Agent/Registrar (the "Designated Payment/Transfer Office"). In the Ordinances, 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 while the Obligations are outstanding. Any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice to be sent to each registered owner of the Obligations by United States mail, first class postage prepaid. This 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, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office 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. An Obligation may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount and series as the Obligations surrendered for exchange or transfer. See "OBLIGATION INFORMATION - Book-Entry-Only System" in this document for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

Limitation on Transfer of Bonds or Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond or Certificate 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 principal of a Bond or Certificate.

Optional Redemption of the Bonds and the Certificates

The City reserves the right, at its option, to redeem the Bonds and the Certificates having stated maturities on and after September 1, 2026, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2025, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds or less than all of the Certificates are to be redeemed, the City shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity and series is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds and the Certificates are in book-entry-only form) shall determine by lot or other customary random selection method the Bonds or the Certificates, or portions thereof, within such maturity and series to be redeemed.

The Contractual Obligations are **not** subject to redemption prior to their scheduled maturities.

Notice of Redemption

At least 30 days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond or Certificate to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms, conditions and provisions relating thereto contained in the Ordinances governing their issuance. If a Bond or a Certificate (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond or Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and interest on the Bond or Certificate shall cease to accrue from and after the redemption date of the Bond or Certificate, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If a notice of redemption is given and sufficient funds are not received for the payment of the required redemption price for the Bonds or Certificates which are to be redeemed, the notice shall be of no force and effect, the City shall not redeem the Bonds or Certificates, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds or Certificates have not been redeemed.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, Williamson Central Appraisal District and Hays Central Appraisal District (collectively, the "Appraisal Districts"). Excluding agricultural and open–space land, which may be taxed on the basis of productive capacity, the Appraisal Districts are required under Title 1, Texas Tax Code (commonly known as the "Property Tax Code") to appraise all property within the Appraisal Districts on the basis of 100% of the property's market value and are prohibited from applying any assessment ratios. State law further limits the appraised value of a residence homestead for a tax year (the "Homestead 10% Increase Cap") to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by an Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. The value placed upon property within the Appraisal Districts is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of each Appraisal District. The Appraisal Districts are required to review the value of property within the Appraisal Districts at least every three (3) years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board. The City has challenged the levels of appraisals for certain commercial and vacant properties valued by the Travis Central Appraisal District, asserting that the Appraisal District understated the appraisal levels for these real property categories. The Appraisal Review Board denied relief. The City may appeal that decision to State District Court.

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

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

Under Section 1–b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant:

(1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;
(2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

Once authorized, the exemption described under (1) above may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a sum of $12,000.

The surviving spouse of an individual who qualifies for the exemption described under (1) above for the residence homestead of a person 65 years of age or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 1-b, Article VIII, and State law authorize a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of persons who are disabled or 65 years of age or older. If the City Council does not take action to establish the tax limitation, voters within the City may submit a petition signed by five percent (5%) of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the residence homestead exemption for persons who are disabled or 65 years of age or older may not be increased, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is 55 years of age or older at the time of the person's death. In addition, the tax limitation applicable to a person's homestead may be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

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

Personal property not used in the business of a taxpayer, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication.

Article VIII, Section 1-n, provides for an exemption from taxation for "goods-in-transit." "Goods-in-transit" are defined as (i) personal property acquired or imported into Texas and transported to another location in the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 2011, to provide for the taxation of the goods-in-transit. After holding the public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt of the taxing unit, the tax officials of the taxing unit may continue to impose the taxes on the goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

Freeport property is exempt from taxation by the City, and, on October 20, 2011, the City took action to tax goods-in-transit.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older and of the disabled of $70,000.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City 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 City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to ten (10) years. The City has adopted criteria for granting tax abatements, which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

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

Tax Valuation

January 1, 2015 Certified Appraised Value (1)		$136,696,273,208
Less Local Exemptions to Assessed Values: (2)	$2,509,307,357	
Residential Homestead over 65	2,335,048,743	
Homestead 10% Increase Cap	3,404,365,033	
Disabled Veterans	248,808,614	
Agricultural and Historical Exemptions	727,847,240	
Disability Exemption	168,025,705	
Other Exemptions	15,076,078,906	
Freeport Exemption	1,131,378,353	$25,600,859,951
January 1, 2015 Net Taxable Assessed Valuation (1)		$111,095,413,257

(1) Appraised value is subject to change pending additional exemption and appeals.
(2) Exemptions or adjustments to assessed valuation granted in 2015 include (a) exemptions of $70,000 for homestead property of property owners who are over 65 years of age or disabled; (b) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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Statement of Debt (As of September 30, 2015)

The following table sets forth on a pro forma basis the amount of Public Improvement Bonds, Assumed Bonds, Contract Revenue Obligations, Certificates of Obligation and Contractual Obligations outstanding and certain debt ratios related thereto.

Public Improvement Bonds (1)	$877,245,000	
Certificates of Obligation (1)	176,210,000	
Contractual Obligations (1)	99,460,000	
Mueller Contract Revenue Obligations	51,355,000	
The Obligations (2)	295,065,000	
The Taxable Bonds (2)	10,000,000	
Assumed MUD Bonds (3)	8,449,995	
Total		$1,517,784,995
Less Self-Supporting Debt:		
Assumed MUDs (3)	$8,449,995	
Mueller Contract Revenue Obligations	51,355,000	
Airport (4)	102,072	
Austin Energy (4)	527,080	
Austin Water Utility (2) (4)	11,693,982	
City Hall (4)	11,627,016	
Code Compliance (4)	692,501	
Convention Center (4)	16,506,100	
Financial Services (2) (4)	14,914,031	
Fleet Management (2) (4)	2, 538,898	
Golf (4)	751,924	
One Texas Center (4)	2,984,800	
Parks and Recreation Department (4)	369,029	
Solid Waste (2) (4)	54,293,069	
Transportation (2) (4)	21,471,910	
Waller Creek (2) (4)	98,748,806	
Watershed Protection (2) (4)	35,480,548	
Total Self-Supporting		$332,506,763
Interest and Sinking Fund (5)		19,857,348
Self-Supporting General Fund Payments (6)		6,737,553
Net Debt		$1,158,683,331
Ratio Total Debt to 2015 Net Taxable Assessed Valuation		1.54%
Ratio Net Debt to 2015 Net Taxable Assessed Valuation		1.17%

2015 Population (Estimate) – 888,204 (7)
Per Capita Net Taxable Assessed Valuation – $111,160.13
Per Capita Net Debt Outstanding – $1,304.52

(1) Excludes the Obligations, Taxable Bonds and $149,815,000.00 of Refunded Obligations.
(2) The Taxable Bonds and the Obligations were sold on September 10, 2015, and are expected to be delivered concurrently on October 6, 2015. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.
(3) Represents bonds of the Northwest Austin MUD#1 annexed by the City.
(4) Airport, Austin Energy, Austin Water, City Hall, Code Compliance, Convention Center, Financial Services, Fleet Management, Golf, One Texas Center, Parks and Recreation Department, Solid Waste, Transportation, Waller Creek, and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Austin Water, Convention Center, Code Compliance, Financial Services, Golf, One Texas Center, Solid Waste, Transportation, and Watershed Protection is paid from revenue of the respective enterprises. The City plans to continue to pay

these obligations from each respective enterprise. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.

(5) Represents estimate of cash plus investments at cost on September 30, 2015.

(6) Various general fund departments have issued debt that is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service, which reduces the debt service tax requirement.

(7) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2015.

Revenue Debt (As of June 30, 2015)

In addition to the above, on a pro forma basis, the City had outstanding $29,542,584 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and $137,008,874 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; $1,222,145,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; $2,194,450,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and $117,461,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City also has outstanding $538,259,000 Airport System Revenue Bonds payable from net revenues of the City's Airport System. The City also has outstanding $171,740,000 in Convention Center Bonds, payable from hotel/motel occupancy and rental car tax collections.

Obligations Subject to Annual Appropriation

With respect to the redevelopment of the property formerly known as Robert Mueller Municipal Airport ("Mueller"), the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Development Agreement"), and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation to be created by the City. The City has entered into an economic development grant agreement (the "Grant Agreement") with Mueller Local Government Corporation ("MLGC"), a non-profit local government corporation created by the City to act on its behalf with respect to the redevelopment of Mueller. MLGC was created in response to the provisions of the Development Agreement. Under the terms of the Grant Agreement, the City will make grant payments to MLGC from the General Fund, subject to annual appropriation by the City, in amounts sufficient to pay debt service on bonds issued by MLGC to fund Public Finance Reimbursable Project Costs and pay administrative costs associated with such bonds. It is anticipated that sales tax revenues generated by properties developed at Mueller will be sufficient to fund the grants throughout the term of the Grant Agreement. $12,000,000 in Contract Revenue Bonds were issued in 2006 by MLGC to finance Public Finance Reimbursable Project Costs.

The City has also created a tax increment reinvestment zone for the Mueller project to include Reinvestment Zone Number Sixteen (the "Zone") and neighboring areas for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development in the Zone which consists of approximately 700 acres. Currently, only the City participates in the Zone by contributing its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone. The tax increment revenues of the City will be contributed by the City to the MLGC pursuant to the terms of a Tri-Party Agreement among the City, the MLGC and the Zone (the "Tri-Party Agreement"). In addition, the City has agreed to consider making payments to the MLGC under a grant agreement between the City and the MLGC, pursuant to which the City may make available to the MLGC grant funds in amounts sufficient to pay debt service on the Tax Increment Contract Revenue Bonds, should Pledged Revenues be insufficient to allow the MLGC to meet its debt service payment obligations. The grant payments are to be funded from available moneys in the City's general fund, subject to annual appropriation. The City is under no obligation to make grant payments. The MLGC has issued three series of Tax Increment Contract Revenue Bonds , aggregating $47,580,000 in principal amount, backed by tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone.

Valuation and Funded Debt History

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	(000's) Net Funded Tax Debt (2)	Per Capita Net Funded Tax Debt	Ratio of Net Funded Tax Debt to Taxable Valuation	% of Total Tax Collections
2007	732,381	$60,512,328,889	$82,624	$869,974	$1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.97	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,649	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	878,002	88,766,098,160	101,100	1,313,334	1,495.82	1.48%	99.27%
2015	888,204	98,732,872,327	111,160	1,158,683(5)	1,304.52(5)	1.17%(5)	99.15%(3)
2016	908,458	111,095,413,257(4)	122,290	1,244,353(5)	1,369.74(5)	1.12%(5)	N/A

(1) Source: City of Austin Department of Planning and Development based on full purpose area as of January 2015.
(2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer in from the Operating Budget. See "DEBT INFORMATION."
(3) Estimated Collections as of June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.
(4) Certified taxable value for the 2015 tax year provided by the Travis County Appraisal District on August 24, 2015.
(5) Includes the Obligations and Taxable Bonds (issuance of $305,065,000 par amount) and excludes $149,815,000 of Refunded Obligations. See "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

Tax Rate, Levy and Collection History

Fiscal Year Ended 9-30	Total Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2007	$ 0.4126	$0.2760	$ 0.1366	$249,673,869	99.61%	99.83%
2008	0.4034	0.2730	0.1304	277,284,215	99.14%	99.70%
2009	0.4012	0.2749	0.1263	307,929,055	99.03%	99.57%
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	99.22%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.42%
2012	0.4811	0.3551	0.1260	381,126,366	99.27%	99.27%
2013	0.5029	0.3821	0.1208	418,888,224	99.36%	99.36%
2014	0.5027	0.3856	0.1171	446,227,175	99.27%	100.01%
2015	0.4809	0.3691	0.1118	474,806,383	99.15% (1)	99.73% (1)
2016 (2)	0.4598	0.3536	0.1062	510,816,710	N/A	N/A

(1) Estimated collections as of June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.
(2) Preliminary, subject to change pending adoption of the tax rate, expected to occur as early as September 22, 2015.

Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	January 1, 2015 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Samsung Semiconductor LLC	Manufacturing	$2,477,712,150	2.23%
Columbia/St David's Healthcare	Hospital/Medical	483,004,226	0.43%
Apple Inc	Commercial	403,861,340	0.36%
CSHV-401 Congress LLC	Commercial	396,542,344	0.36%
Finley Company	Commercial	344,501,917	0.31%
Parkway Properties LLC	Commercial	307,829,941	0.28%
Circuit of the Americas LLC	Commercial	293,079,348	0.26%
Riata Holdings LP	Commercial	256,260,021	0.23%
G&I VII Barton Skyway LP	Commercial	219,458,936	0.20%
HEB Grocery Company	Retail	215,839,499	0.19%
TOTAL		$5,398,089,722	4.86%

Source: Travis Central Appraisal District.

Property Tax Rate Distribution

	Fiscal Year Ended September 30				
	2012	2013	2014	2015	2016 (1)
General Fund	$.3551	$.3821	$.3856	$.3691	$.3536
Interest and Sinking Fund	.1260	.1208	.1171	.1118	.1062
Total Tax Rate	$.4811	$.5029	$.5027	$.4809	$.4598

(1) Preliminary, subject to change pending adoption of the tax rate, expected to occur as early as September 22, 2015.

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Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year Ended 9-30	Valuation Date	Real Property Amount	Real Property % of Total	Personal Property Amount	Personal Property % of Total	Net Taxable Assessed Valuation	Total Tax Levy	% Current Collections	% Total Collections
2007	1-1-06	$53,724,137,471	88.78%	$6,788,191,418	11.22%	$60,512,328,889	$ 249,673,869	99.61%	99.83%
2008	1-1-07	61,455,307,904	89.41%	7,281,483,022	10.59%	68,736,790,926	277,284,215	99.14%	99.70%
2009	1-1-08	68,790,111,385	89.63%	7,961,896,352	10.37%	76,752,007,737	307,929,055	99.03%	99.57%
2010	1-1-09	72,029,659,502	94.21%	8,147,372,223	10.66%	80,960,540,976	340,762,917	98.97%	99.22%
2011	1-1-10	70,024,297,956	90.83%	7,072,966,278	9.17%	77,619,349,384	354,798,046	99.13%	99.42%
2012	1-1-11	70,283,821,626	88.72%	8,935,959,253	11.28%	79,219,780,879	381,126,366	99.27%	99.27%
2013	1-1-12	73,663,555,699	88.44%	9,630,980,794	11.56%	83,294,536,493	418,888,224	99.36%	99.36%
2014	1-1-13	79,198,359,444	89.44%	9,350,209,529	10.56%	88,548,568,973	446,227,175	99.27%	100.01%
2015	1-1-14	88,957,781,717	90.10%	9,775,090,610	9.90%	98,732,872,327	474,806,383	99.15% (1)	99.73% (1)
2016	1-1-15	100,894,880,298	90.82%	10,200,532,959	9.18%	111,095,413,257	510,816,710 (2)	N/A	N/A

(1) Estimated collections through June 30, 2015 based on the July 2014 Certified Tax Roll tax levy.
(2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on as early as September 22, 2015.

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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 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which also limits the City's ad valorem tax rate to $2.50 per $100 assessed valuation for all City purposes.

Administratively, pursuant to Title 1, Section 53.5 of the Texas Administrative Code, the Texas Attorney General prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of such $2.50 maximum tax rate, calculated at 90% collection. The issuance of the Obligations will not exceed the above-described limits or violate the Texas Attorney General's administrative rule.

Tax Procedures

By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the upcoming fiscal year beginning October 1. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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.

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DEBT INFORMATION (a)

Debt Service Requirements

Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Contractual Obligations	Assumed NW Austin MUD #1	Mueller Contract Rev Bonds	Less Refunded Obligations	The Obligations and The Taxable Bonds	Grand Total Requirements	Less Self-Supporting Requirements (b)	Net Total Requirements	Percent Principal Payout
2016	$104,127,616	$15,568,987	$25,137,164	$1,135,590	$3,127,203	$7,191,025	$19,680,033	$161,585,567	$46,259,717	$115,325,851	
2017	101,998,659	15,640,128	21,972,809	1,008,319	3,127,215	10,263,358	19,155,036	173,165,524	43,529,124	129,636,399	
2018	97,716,212	15,717,043	21,708,604	1,012,938	3,130,165	15,366,558	25,320,261	179,971,780	41,212,637	138,759,143	
2019	96,249,745	15,792,616	17,925,606	1,030,083	3,132,315	15,413,956	28,295,236	177,839,557	38,141,716	139,697,841	
2020	95,699,573	15,793,390	12,990,875	1,033,498	3,136,890	16,621,865	30,165,536	175,441,627	34,528,610	140,913,018	30.94%
2021	97,075,987	15,884,235	6,257,719	1,046,118	3,137,640	16,686,767	29,392,811	169,481,276	30,594,276	138,887,000	
2022	95,260,368	15,981,344	1,481,125	1,036,678	3,139,309	16,747,101	27,447,536	161,093,461	26,397,373	134,696,088	
2023	87,834,301	16,069,114		1,041,188	3,147,646	16,817,560	29,397,911	154,307,719	22,372,940	131,934,779	
2024	84,922,340	16,155,241		1,038,575	3,149,815	18,482,014	29,783,194	153,531,178	22,439,174	131,092,003	
2025	82,400,960	16,239,355		1,044,475	3,145,415	18,242,340	27,499,342	148,571,887	20,658,784	127,913,103	59.42%
2026	79,915,798	15,732,666		943,463	3,146,965	21,657,441	30,225,842	151,622,175	19,895,107	131,727,068	
2027	73,964,307	13,840,125			2,151,215	33,234,360	44,374,543	167,564,550	14,438,388	153,126,162	
2028	67,050,436	13,598,685			2,150,434		11,924,968	94,724,523	14,283,363	80,441,160	
2029	57,230,576	12,770,866			2,152,059		11,926,319	84,079,820	14,311,854	69,767,966	
2030	49,718,586	12,507,018			2,155,401		11,926,459	76,307,464	14,047,215	62,260,249	84.94%
2031	37,928,821	10,785,025			2,151,864		13,926,336	64,792,045	13,082,736	51,709,309	
2032	32,205,734	9,519,950			2,155,369		12,823,383	56,704,435	12,403,974	44,300,461	
2033	30,249,288	8,285,128					9,772,851	48,307,267	9,697,936	38,609,331	
2034	20,032,768	8,300,921					9,873,434	38,207,122	9,709,918	28,497,203	
2035		4,600,313					13,513,330	18,113,642	6,771,657	11,341,985	98.73%
2036		4,600,263						4,600,263	4,600,263		
2037		4,593,169						4,593,169	4,593,169		
2038		4,262,138						4,262,138	4,262,138		
2039		2,699,838						2,699,838	2,699,838		
2040		2,315,513						2,315,513	2,315,513		
2041		2,329,988						2,329,988	2,329,988		100.00%

(a) As of September 30, 2015

(b) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 11).

Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-14) (in 000's)

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. 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 below may have issued additional bonds since the date stated above, 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 funded debt of the major taxing bodies in the area.

Taxing Jurisdiction	Total Funded Debt	Estimated % Applicable	Overlapping Funded Debt
Austin, City of (1)	$ 1,158,683	100.00%	$ 1,158,683
Austin Community College	82,714	68.34%	56,527
Austin Independent School District	791,548	94.37%	746,984
Avery Ranch Road District #1	10,510	100.00%	10,510
Del Valle Independent School District	144,005	70.71%	101,826
Leander Independent School District	1,559,130	11.54%	179,924
Manor Independent School District	295,900	75.07%	222,132
Pflugerville Independent School District	539,430	37.20%	200,668
Round Rock Independent School District	621,720	33.49%	208,214
Travis County	660,880	70.76%	467,639
Williamson County	869,792	11.04%	96,025
Eanes Independent School District	125,430	31.80%	39,887
Northtown MUD	24,685	23.19%	5,724
Travis County Healthcare	13,240	70.53%	9,338
Travis County MUD #8	5,437	6.70%	364
TOTAL DIRECT AND OVERLAPPING FUNDED DEBT			$ 3,504,445
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (2)			3.95%
Per Capita Overlapping Funded Debt (3)			$3,945.54

(1) Fiscal year 2015 figures for the City. Includes the Obligations and Taxable Bonds (issuance of $305,065,000 par amount). Excludes $149,815,000 of Refunded Obligations and general obligation debt reported in proprietary funds. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt" in this document.

(2) Based on assessed valuation of $88,766,098,160 provided by the Travis Central Appraisal District, Williamson County Appraisal District and Hays Central Appraisal District.

(3) Based on 2015 estimated population of 888,204.

Source: 2014 City of Austin Comprehensive Annual Financial Report ("CAFR").

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimated the portion of the outstanding debt of those overlapping governments that is borne by the City's residents and businesses. This process recognized that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by its residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Authorized General Obligation Bonds

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Bonds Being Issued (1)	Unissued Balance
Brackenridge 2000	10-22-83	$ 50,000,000	$ 40,785,000	$ -	$9,215,000
Park Improvements	09-08-84	9,975,000	9,648,000	-	327,000
Cultural Arts	01-19-85	20,285,000	14,890,000	-	5,395,000
Cultural Arts	11-07-06	31,500,000	27,500,000	-	4,000,000
Central Library	11-07-06	90,000,000	46,800,000	43,200,000	-
Public Safety Facility	11-07-06	58,100,000	53,100,000	-	5,000,000
Mobility Transportation	11-06-12	143,299,000	52,105,000	32,235,000	58,959,000
Parks & Recreation	11-06-12	77,680,000	7,860,000	17,275,000	52,545,000
Public Safety Facility	11-06-12	31,079,000	8,220,000	6,900,000	15,959,000
Health & Human Service Facility	11-06-12	11,148,000	1,940,000	4,205,000	5,003,000
Cultural Arts	11-06-12	13,442,000	3,800,000	815,000	8,827,000
Affordable Housing	11-05-13	65,000,000	10,000,000	10,000,000	45,000,000
		$601,508,000	$276,648,000	$114,630,000	$210,230,000

(1) Bonds issued for Affordable Housing projects are being sold as the Taxable Bonds. See "DEBT INFORMATION – Concurrent Issuance of General Obligation Debt" in this document.

The City may also incur non-voted debts payable from or secured by its collection of ad valorem taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations and leases for various purposes.

Concurrent Issuance of General Obligation Debt

Concurrently with the sale of the Obligations to the Underwriters, the City executed a bond purchase agreement in connection with the sale of its Public Improvement Bonds, Taxable Series 2015 in the aggregate principal amount of $10,000,000 (the "Taxable Bonds").

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see – "TAX INFORMATION - Tax Rate Limitations" in this document).

FISCAL MANAGEMENT

The Capital Improvement Plan and Capital Budget

The Capital Improvement Plan is a five-year list of capital improvements and a corresponding spending plan for financing these improvements. It is developed through public input and department prioritization of needs. The process includes neighborhood meetings, department requests, Budget Office assessment of requested projects, input from the Planning Commission's CIP Subcommittee and other Boards and Commissions, and citizen input from public hearings. Each year, the Planning Commission reviews the Capital Improvement Plan and submits a recommendation to the City Manager detailing specific projects to be included in the Capital Budget for the next fiscal year.

The City Manager considers the Planning Commission's recommended plan to propose a Capital Budget to the City Council. The Capital Budget contains requested appropriations for new projects, additional appropriations for previously approved projects and any requests to revise prior year appropriations. Unlike the Operating Budget, which authorizes expenditures for only one fiscal year, Capital Budget appropriations are multi-year, lasting until the project is complete or until changed by the City Council.

The City Council reviews the Capital Budget, holds public hearings to gather final citizen input and establishes the amount of revenue and general obligation debt to sell to fund capital improvements.

2015-2016 Capital Budget

The 2015-2016 five-year Capital Improvement Program (CIP) plan estimates city-wide capital spending in 2015-2016 of $800.7 million.

The first year of the five-year plan was used to determine the new appropriations required for inclusion in the 2015-2016 Proposed Capital Budget. The proposed city-wide total appropriation is $629.0 million. Appropriation by department is listed below.

Summary of 2015-2016 Proposed Capital Budget (millions):

Austin Convention Center	$ 28.9
Austin Energy	262.4
Austin Public Library	5.6
Austin Resource Recovery	6.1
Austin Transportation	13.8
Austin Water Utility	40.9
Aviation	134.9
Building Services	3.3
Communications & Technology Management	28.0
Development Services	0.9
Emergency Medical Services	3.1
Fire	0.8
Health and Human Services	2.6
Neighborhood Housing and Community Development	10.1
Office of Real Estate	1.5
Parks and Recreation	34.2
Planning and Zoning	1.2
Public Works	25.0
Watershed Protection	25.7
TOTAL PROPOSED NEW APPROPRIATIONS	$629.0

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Operating Budget

The City's Home Rule Charter and State law require the City Manager to prepare and submit to the City Council a balanced budget consisting of an estimate of the revenues and expenditures in the budget period and the undesignated General Fund balance available for re-appropriation. The budget process in the City normally commences with all department heads submitting to the Chief Financial Officer of the City a detailed estimate of the appropriations required for their respective departments during the next fiscal year. The Chief Financial Officer of the City, in turn, forwards these estimates to the City Manager, who submits them to the Mayor and City Council for their consideration and approval.

In June 1989, the City Council approved Financial Management Policies. Among other items, these policies require that a General Fund Emergency Reserve Fund of at least $40,000,000 shall be budgeted. Additionally, a General Fund Contingency Reserve Fund of 1% of total budgeted departmental expenditures, but not less than $2,000,000, and a General Fund Reserve for Budget Stabilization shall be budgeted annually. At the end of each fiscal year, any excess revenue received in that year and any unspent appropriations at the end of that year will be deposited into the General Fund Reserve for Budget Stabilization. The Budget Stabilization Reserve will then be available for appropriation for one-time expenditures such as capital equipment but no more than one-third of the reserve will normally be appropriated in any one year. There is also a property tax reserve of $4,500,000.

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2015–2016 Budget (Amounts are in thousands)

The 2015-2016 operating budget is expected to be adopted as early as September 22, 2015, and was prepared in accordance with guidelines provided by the City Council. The proposed budget included a total tax rate of $0.4814 per $100 assessed valuation. The tax rolls have not been certified by the Travis Central Appraisal District. A tax rate of $0.4814 per $100 assessed valuation would generate revenue for the proposed budget as set forth below. The following is a summary of the proposed 2015-2016 General Fund Budget.

Beginning Balance, October 1, 2015 (Budget Basis) (000's omitted)

Summary of Budgeted General Fund Resources		
Revenue:		
General Property Taxes	$382,032	
City Sales Tax	210,401	
Other Taxes	10,036	
Gross Receipts/Franchise Fees	38,462	
Miscellaneous	118,781	
Total Revenue		$759,712
Transfers In:		
Electric Revenue	$105,000	
Water Revenue	40,793	
Water Infrastructure Inspection	1,200	
Total Transfers In		146,993
Total General Fund Resources		$906,705
Summary of Budgeted General Fund Requirements		
Departmental Appropriations:		
Administrative Services	$ 21,109	
Urban Growth Management	45,756	
Public Safety	627,158	
Public Health and Human Services	67,266	
Public Recreation and Culture	115,651	
Total Departmental Appropriations		$876,940
Transfers Out		$25,055
Other Requirements		4,711
Total General Fund Requirements		$906,706
Use of Beginning Balance		0
Ending Balance		0
Budgeted Reserve Requirements		
Emergency Reserve		$ 54,402
Contingency Reserve		0
Property Tax Reserve		4,500
Budget Stabilization Reserve Fund		58,509
Total Budgeted Reserve Requirements		$117,411

Deficit Budgeting

The City is barred by Texas law and the City's Charter from deficit budgeting.

Accounting System

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise and internal service funds are maintained on an accrual basis.

Article VII, Section 15 of the City's Charter requires an annual audit of all accounts of the City by an independent certified public accountant. This charter requirement has been complied with and the accountant's report is included in this document.

Short–Term Borrowing

Pursuant to Section 1431, Texas Government Code, the City has the authority to conduct short-term borrowings to provide for the payment of current expenses through the issuance of anticipation notes. Such notes must mature before the first anniversary of the date the Attorney General approves the anticipation notes.

INVESTMENTS

The City invests its available funds in investments authorized by State law, particularly the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit 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 of Texas and are guaranteed or insured by a combination of cash and the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and that otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Effective September 1, 2005, the City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a "decommissioning trust" (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code (commonly referred to as the "Texas Trust Code"). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

The City may also contract with an investment management firm registered under the Investment Advisor 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 of up to two years, but the City retains ultimate responsibility as fiduciary of its assets.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State 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 and maturity; and also that address the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar–weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (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.

The City's investment policy authorizes the City to invest its funds and funds under its control in all of the eligible investments described above under "Legal Investments", except those investments described in clauses (3) and (6).

Under State 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 that 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 and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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 of the City Council or the Chief Financial Officer of the City.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered representative of firms seeking to sell securities to the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; and (5) provide specific investment training for the Chief Financial Officer of the City, Treasurer and Investment Officers.

Current Investments

As of June 30, 2015, the City's investable funds were invested in the following categories.

Type of Investment	Percentage
U. S. Treasuries	11%
U. S. Agencies	39%
Money Market Funds	3%
Local Government Investment Pools	47%

The dollar weighted average maturity for the combined City investment portfolios is 264 days. The City prices the portfolios weekly utilizing a market pricing service.

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GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
(Amounts are in thousands)

	Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Revenues:					
Taxes (1)	$387,061	$409,344	$448,537	$498,605	$527,783
Franchise Fees	34,964	32,904	32,578	35,040	46,762
Fines, Forfeitures and Penalties	18,692	18,131	15,784	16,971	17,130
Licenses, Permits and Inspections	15,716	18,653	22,664	28,669	33,719
Charges for Services	33,394	44,464	44,147	49,579	57,974
Interest and Other	8,059	5,096	4,414	6,027	9,335
Total Revenues	$497,886	$528,592	$568,124	$634,891	$692,703
Expenditures:					
Administration	$ 11,768	$ 12,229	$ 12,674	$ 13,926	$ -
Urban Growth Management	17,535	34,299	38,419	44,934	57,636
Public Safety	398,930	422,092	447,944	473,980	515,437
Public Services and Utilities	363	14	-	-	-
Public Health	37,464	39,230	41,991	48,232	54,608
Public Recreation and Culture	60,040	72,189	71,753	81,893	90,441
Transportation, Planning and Sustainability (3)	-	-	5	9	249
Nondepartmental Expenditures	69,456	74,291	83,875	87,126	88,865
Total Expenditures	$595,556	$654,344	$696,661	$750,100	$807,236
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	$ (97,670)	$(125,752)	$(128,537)	($115,209)	($114,533)
Other Financing Sources (Uses):					
Transfers from Other Funds	130,233	141,448	144,208	145,764	162,622
Transfers to Other Funds	(16,014)	(9,487)	(19,761)	(13,626)	(27,515)
Net Other Financing Sources	$114,219	$131,961	$124,447	$132,138	$135,107
Excess (Deficiency) of Total Revenues and Other Services Over Expenditures and Other Uses	$ 16,549	$ 6,209	$ (4,090)	$ 16,929	$ 20,574
Special Item – Land Sale (See FY14 CAFR Note 1)	-	-	-	-	15,830
Fund Balances at Beginning of Year	92,161	128,044	134,253	130,163	147,092
Fund Balances at End of Year (2)	$108,710	$134,253	$130,163	$147,092	$183,496

(1) Consists of property, sales and mixed drinks tax.
(2) In addition to the budget stabilization reserve, the ending balance includes a contingency reserve of approximately $5.0 million and an emergency reserve of $40 million.
(3) Reported with Urban Growth Management prior to 2012.

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CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax

At an election held on September 30, 1967, the citizens of Austin voted a 1% retail sales and use tax to become effective on January 1, 1968. This tax provides an additional revenue source to the General Fund of the City. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who currently remits the proceeds of the tax to the City monthly. Revenue from this source has been:

Fiscal Year Ended 9-30	Per Capita Sales and Use Tax	(in 000's) Sales and Use Tax	% of Ad Valorem Tax Levy
2007	$211.43	$153,098	61.32%
2008	207.00	154,445	55.70%
2009	182.51	139,795	45.40%
2010	185.87	144,710	42.47%
2011	187.58	151,125	42.59%
2012	199.99	164,193	43.08%
2013	209.35	176,198	42.06%
2014	215.79	189,464	42.46%
2015 (1)	225.60	200,382	42.20%
2016 (2)	231.60	210,401	41.19%

(1) Estimate.
(2) Estimate used in FY 2016 Proposed Budget.

Transfers from Utility Funds

The City owns and operates a Water and Wastewater System and an Electric Light and Power System, the financial operations of which are accounted for in the Utility Funds. Transfers from the Utility Funds to the General Fund have historically provided a significant percentage of the receipts for operation of the General Fund. The following sets forth the amount of such transfers.

Fiscal Year Ended 9-30	(in 000's) Transfers	% of General Fund Requirements
2007	$106,471	20.0%
2008	115,629	19.8%
2009	121,505	20.9%
2010	129,967	21.5%
2011	134,263	20.8%
2012	136,919	19.8%
2013	139,548	17.8%
2014	142,909	18.1%
2015 (1)	143,755	16.9%
2016 (2)	145,793	16.1%

(1) Estimate.
(2) Estimate used in FY 2016 Proposed Budget.

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ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

The Enterprise Funds account for the activities of the City which render services on a user charge basis to the general public. Set forth on pages B-30 and B-31 of APPENDIX B in this document is a summary of the revenues, expenses, transfers and net position of the City's enterprise funds for the year ended September 30, 2014.

THE SYSTEMS

The City owns and operates an Electric Utility System (also referred to in this document as "Austin Energy") and a Water and Wastewater System (also referred to in this document as the "Austin Water Utility" or the "Water and Wastewater Utility") which provide the City, adjoining areas of Travis County and certain adjacent areas of Williamson County with electric, water and wastewater services. The City owns all the facilities of the Water and Wastewater System. The City jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, the City individually owns gas/oil-fired electric generation facilities, which are available to meet Electric Utility System demand. The Electric Utility System had approximately 1,673 full-time regular employees as of September 30, 2014. The Water and Wastewater System had approximately 1,147 full-time regular employees as of the same date.

STRATEGIC PLANS, GOALS AND POLICIES

Strategic Plan

In December 2003, the City Council approved a strategic plan for Austin Energy. The plan identified three strategies to position Austin Energy for continued success. Austin Energy operates under the approved 2003 strategic plan but new initiatives are underway, including the Technology Roadmap Project, the Facilities Master Plan, and the New Generation Plan (mentioned below in "Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan").

First, an overarching Risk Management Strategy guides Austin Energy to manage its exposure when considering future courses of action. This approach allows Austin Energy to prepare for future options without prematurely investing and allows time for more information to become known before major commitments are made.

Second, a strategy to provide Excellent Customer Service positions Austin Energy to meet evolving customer expectations in a rapidly changing energy industry. Under this strategy, Austin Energy intends to build employee and customer satisfaction so that it is positioned for competition or regulation in the future.

Third, an Energy Resource strategy directs Austin Energy to seek cost-effective renewable energy and conservation solutions to meet customers' new energy needs before resorting to traditional fossil fuel sources. In keeping with the risk management approach, Austin Energy has developed a Resource, Generation and Climate Protection Plan to 2025 discussed further in the next section.

Austin Energy Resource, Generation, and Climate Protection Plan to 2025: An Update of the 2020 Plan

In 2007, the City Council adopted the Austin Climate Protection Plan ("ACPP") to build a more sustainable community. Austin Energy developed a Resource, Generation and Climate Protection Plan to 2020 (the "Plan") to meet these objectives, which was approved by the City Council in 2010 and further refined in 2011 by the City Council by adding affordability metrics. Austin Energy will review the Plan annually and issue a report on performance against goals. Austin Energy will reassess the Plan in a public forum every two years, the latest of which took place in 2014.

In April of 2014, the City Council (1) passed Resolution No. 20140410-024 ("2014 ACPP") that recognized the need to further accelerate the reduction of greenhouse gas emissions beyond the ACPP standards and set a goal of reaching net zero community-wide greenhouse gas emissions by 2050, preferring to achieve this goal sooner if feasible, and (2) appointed the 2014 Austin Generation Resource Planning Task Force to make recommendations on the utility's generation mix to 2025 and to further move the energy sector of the City toward achieving the emissions standards set forth in the 2014 ACPP. On July 9, 2014, the Task Force approved recommendations for updating the Plan. In August of 2014, the City Council approved Resolution No. 20140828-157 and Resolution No. 20140828-158, which placed several Task Force recommendations into policy, subject to affordability metrics. Subsequently, based upon the same modeling used for resource planning analysis, Austin Energy performed an affordability analysis of implementing Resolution No. 20140828-157. This analysis indicated that Austin Energy would likely exceed the City Council's affordability metrics and could cost utility customers $550 million above a business-as-usual case over the next 10 years.

On October 9, 2014, Austin Energy presented the results of its resource planning update, as scheduled, recommending the 500+ Plan, which included many of the Task Force recommendations, expanded renewable generation and replaced the Decker Creek Power Station's steam units with a highly efficient combined cycle gas turbine unit by 2018. The 500+ Plan showed that local generation is critical to maintaining affordability by providing revenues back to Austin Energy and by moderating local electric market prices.

The 2014 Resource Plan Update, resulting in the Resource, Generation and Climate Protection Plan to 2025 (the "2014 Plan") represents recommendations for a resource plan that makes further refinements to the 500+ Plan presented in October and brings together generation and energy demand management options over the planning horizon to the year 2025. Developing the 2014 Plan involved extensive analysis by Austin Energy of the expected costs, risks and opportunities to meet the future demand for electricity services by a highly skilled and experienced staff with the help of a calibrated and tested production cost model. The 2014 Plan outlined in this document is based on the current understanding of technology and of national, state and local energy policies.

The recommendations are designed to be flexible and dynamic. As the circumstances change, the City and Austin Energy will maintain flexibility to modify elements to respond to a range of factors, including economic conditions, customer load, fuel prices and power supply availability, infrastructure build-out, technological development, law and regulations, policy direction, rate structures and customer needs. Therefore, it is anticipated that the 2014 Plan will need to be adapted and modified from time to time to manage risk, maintain system and service reliability, achieve policy goals and meet customer demand for excellence in all aspects of service. As each significant implementation step is undertaken, Austin Energy's recommendations to the City Council shall be supported by assessment of impacts on all customers and by charting the progress each step will make toward achieving the goals outlined in the 2014 Plan. Every major resource decision will be taken before the City Council for review and authorization.

2014 Plan Summary

Austin Energy has adopted the following changes and additions to its current resource planning goals, with a target of meeting these goals by 2025:

- Maintaining the current goal of 800 MW of energy efficiency and Demand Response by 2020, and adding an incremental 100 MW of Demand Response to achieve a total of at least 900 MW of Demand Side Management (DSM) by 2025.
- Increase the renewable energy goal from 35% to 55%.
- Increase the solar component of the renewable energy goal by 600 MW.
- Establish a CO_2 reduction goal of 20% below 2005 level in 2020 and beyond with retirement of Austin Energy's share of the Fayette Power Project ("FPP") by 2023 through creation of a cash reserve fund.
- Develop an implementation plan for distribution connected local storage of at least 10 MW complemented by as much as 20 MW of thermal storage.

The 2014 Plan also recommends the following, contingent upon further study, technological development, progress towards goals and rate adjustments or restructuring:

1- An additional 100 MW of Demand Response or energy efficiency to increase the DSM achieved to 1000 MW by 2025.
2- Issuing a Request for Information ("RFI") for 170 MW of large scale storage such as Compressed Air Energy Storage.

Specific resource investments will be evaluated continually by Austin Energy, reinforcing that the goals are adaptable to changing legal/regulatory, market, and economic conditions. As explained further in the 2014 Plan, however, each individual investment will be considered by the City Council and subject to public review.

Nuclear. The 2014 Plan recognizes current ownership levels in the STP and assumes the plant continues to provide power through 2025 at Austin Energy's current ownership level.

Coal. The 2014 Plan continues to establish a ramp down in production in 2020 to achieve established carbon goals, and anticipates the retirement process in 2022, if funds are available. The recommended 2014 Plan will require the establishment of a cash reserve retirement account in advance of the retirement to be funded with available cash as part of the annual budgeting process.

Natural Gas. The 2014 Plan would add 500 MW of additional gas units by the beginning of 2019 at the Sand Hill Energy Center or Decker. Austin Energy will issue an RFP to select a consultant with the expertise to analyze the ERCOT nodal market using a production cost model to perform an independent review of the 500 MW investment to fully report benefits and risks of this strategy.

Biomass. A total of 100 MW of biomass-fueled generation is contracted under a purchase power agreement. The City Council approved a 20-year contract through which Austin Energy may purchase the annual output of a 100 MW wood chip-fueled biomass plant located in Nacogdoches County, Texas. The plant, built by Nacogdoches Power LLC (a Southern Company subsidiary), commenced commercial operation in June 2012.

Wind. The 2014 Plan calls for the majority of the Austin Energy renewables goal will be met through wind-generated power. As of September 30, 2014, wind generation totals 840.9 MW of capacity. Austin Energy has executed additional wind contracts for 700.0 MW of capacity which will begin commercial operation in 2015 and 2016. Under the 2025 Plan, Austin Energy will pursue additional wind energy PPAs and ownership opportunities. Austin Energy expects to contract a minimum of 450 MW of additional coastal and western wind resources to reach at least 55 percent renewable energy goal by 2025 totaling the wind capacity by 2025 to 1,503 MW.

Solar. Under the 2014 Plan, installed solar capacity would increase to at least 950 MW by 2025, including 200 MW of local solar. To ensure affordability, the 2014 Plan recommends implementing a phase down of the residential and commercial incentive programs to achieve the first 110 MW of the local solar goal by 2020, including at least 70 MW of customer-sited solar. Current projected cost declines of solar, technology improvements and financing alternatives and the implementation of supportive solar policies shall be utilized to enable the City to reach the 200 MW goal—including at least 100 MW of customer-sited local solar—by 2025 absent further incentives.

In February 2009, the Council approved a 25-year contract under which Austin Energy purchases the annual output of a 30 MW solar farm built near Webberville on utility property, which went into operation in 2012. In addition, the Plan assumes full build-out of the announced 150 MW of solar power currently contracted with Canadian Solar that is expected to be online by 2016.

The 2014 Plan recommends a new RFP be issued by Austin Energy for up to 600 MW of utility-scale solar in 2015. Austin Energy will contract for up to this amount by 2017, if available and affordable. If not, Austin Energy will continue to pursue the 600 MW of additional utility-scale solar within the 2014 Plan. These additions bring a combined total of 750 MW of utility-scale solar.

Storage. The 2014 Plan contemplates Austin Energy will obtain at least 30 MW of local thermal and electrical storage by 2025.

Financial Policies

The goals of Austin Energy's financial policies are to maintain financial integrity while allowing for flexibility. Some of the more significant financial policies reviewed and approved annually by the City Council during the budget process are:

- Current revenue, which does not include the beginning balance, will be sufficient to support current expenditures (defined as "structural balance"). However, if projected revenue in future years is not sufficient to support projected requirements, the ending balance may be budgeted to achieve structural balance.

- Austin Energy shall maintain operating cash equivalent to 45 days of budgeted operations and maintenance expense, less fuel. As of September 30, 2014, Austin Energy's operating cash was $151 million.

- Debt Service coverage of a minimum of 2.0x shall be targeted for the Electric Utility Bonds. All short-term debt, including commercial paper, and non-revenue obligations will be included at 1.0x coverage.

- A Strategic Reserve Fund shall be created and established, replacing the Debt Management Fund. It will have three components:
  - An Emergency Reserve with a minimum of 60 days of non-power supply operating requirements. As of September 30, 2014, Austin Energy's emergency reserve was $81 million.
  - A maximum of 60 days of additional non-power supply operating requirements set aside as a Contingency Reserve. As of September 30, 2014, Austin Energy's contingency reserve was $26 million.
  - Any additional funds over the maximum 120 days of non-power supply operating requirements may be set aside in a Rate Stabilization Reserve.

- The Emergency Reserve shall only be used as a last resort to provide funding in the event of an unanticipated or unforeseen extraordinary need of an emergency nature, such as costs related to a natural disaster, emergency or unexpected costs created by Federal or State legislation. The Emergency Reserve shall be used only after the Contingency Reserve has been exhausted. The Contingency Reserve shall be used for unanticipated or unforeseen events that reduce revenue or increase obligations such as extended unplanned plant outages, insurance deductibles, unexpected costs created by Federal or State legislation, and liquidity support for unexpected changes in fuel costs or purchased power which stabilize fuel rates for Austin Energy customers. In the event any portion of the Contingency Reserve is used, the balance will be replenished to the targeted amount within two years. A Rate Stabilization Reserve shall be used to stabilize electric utility rates in future periods. The Rate Stabilization Reserve may provide funding for (1) deferring or minimizing future rate increases, (2) new generation capacity construction and acquisition costs and (3) balancing of annual power supply costs (net power supply/energy settlement cost). The balance shall not exceed 90 days of net power supply costs. Funding may be provided from net revenue available after meeting the General Fund Transfer, capital investment (equity contributions from current revenue), Repair and Replacement Fund, and 45 days of working capital.

- The General Fund Transfer shall not exceed 12% of Austin Energy's three-year average operating revenues, calculated using the current fiscal year estimate and the previous two fiscal years' actual revenues from the City's Comprehensive Annual Financial Report.

- A decommissioning trust shall be established external to the City to hold the proceeds for moneys collected for the purpose of decommissioning the STP. An external investment manager may be hired to administer the trust investments.

- A Non-Nuclear Plant Decommissioning Fund shall be established to fund plant retirement. The amount set aside will be based on a decommissioning study of the plant site. Funding will be set aside over a minimum of four years prior to the expected plant closure.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Rate Regulation

The City Council has original jurisdiction over Austin Energy's retail electric rates, while the Public Utilities Commission of Texas ("PUCT") sets Austin Energy's recoverable Transmission Cost of Service. Certain residential ratepayers can appeal retail rate changes to the PUCT under section 33.101 of the Public Utilities Regulatory Act (Title 2 (Chapters 11 through 60) of the Texas Utilities Code, and referred to in this document as "PURA") by filing a petition with the PUCT containing the requisite number of valid signatures from residential ratepayers who take service outside the City limits. State courts have held that the PUCT may apply the same ratemaking standards in such an appeal as are applied to utilities over which the PUCT has original jurisdiction.

Section 35.004 of PURA requires the City to provide transmission service at wholesale to another utility, a qualifying facility, an exempt wholesale generator, a power marketer, a power generation company, or a retail electric provider.

Section 35.004 of PURA requires the City to provide wholesale services at rates, terms of access, and conditions that are not unreasonably preferential, prejudicial, discriminatory, predatory, or anti-competitive.

An Independent System Operator ("ISO") was established for the Electric Reliability Council of Texas ("ERCOT") as a part of the rules that were adopted by the PUCT to establish access to the wholesale electric market in the State and was approved by the PUCT on August 21, 1996. The ISO received approval on May 5, 2000, of its certification under Senate Bill 7, adopted by the State legislature and signed into law in 1999 ("SB7"). The ISO's responsibilities as detailed in SB7 are to (1) ensure nondiscriminatory access to the ERCOT transmission system; (2) ensure the reliability and adequacy of the ERCOT network; (3) ensure timely and accurate customer switching; and (4) ensure the accuracy of accounts among wholesale buyers and sellers. Austin Energy is a member of ERCOT, and Austin Energy staff is active in the ERCOT stakeholder process.

SB7 amended PURA to provide for retail deregulation of the electric utility industry in the State. SB7 opened retail competition for Investor Owned Utilities beginning January 1, 2002. SB7 allowed local authorities to choose when to bring retail competition to their Municipally Owned Utilities ("MOU"), and left key municipal utility decisions (like local rate setting and utility policies) in the hands of those who have a stake in the local community. Once a resolution to "opt in" for retail competition is adopted by the MOU's governing body, the decision is irrevocable. The City has not opted in to competition. As a result, retail competition is not allowed inside Austin Energy's service territory. Austin Energy participates in the wholesale power market.

ERCOT Wholesale Market Design

The ERCOT wholesale market has been dispatched and settled on a nodal basis since December 1, 2010. The key components of the nodal market include: establishment of a day-ahead energy market; resource-specific bid curves for energy and ancillary services; congestion pricing incorporating direct assignment of all congestion rents to resources causing the congestion; tradable congestion revenue rights ("CRRs") made available through auctions; nodal energy prices for resources; energy trading hubs; and zonal energy prices for load settlement. Austin Energy's service territory is identified as a load zone for settlement purposes.

Austin Energy's Energy and Market Operations staff offers Austin Energy's generation resources into the ERCOT markets. All power to serve Austin Energy's load is procured from the ERCOT market as well. Participation in the centralized ERCOT wholesale market allows Austin Energy to procure the cheapest source of supply possible to service its customers, whether that power is produced from Austin Energy's own generation resources or procured from the ERCOT market.

Throughout the past 18 months, the PUCT has considered changes to the ERCOT wholesale market to address some potential resource adequacy challenges. While there is some debate over the existence or severity of a resource adequacy issue, the PUCT has increased the market offer caps and implemented an Operating Reserve Demand Curve to represent the value of operating reserves in the real-time market relative to the probability of loss of load. The PUCT continues to solicit comments on further wholesale market design changes, but there is little expectation any major decisions will be made in the near term.

Federal Rate Regulation

Austin Energy is not subject to the Federal Energy Regulatory Commission's ("FERC") jurisdiction under sections 205 and 206 of the Federal Power Act and is not subject to Federal statutes and regulation in the establishment of rates, the issuance of securities or the operation, maintenance or expansion of Austin Energy. Nevertheless, Austin Energy submits various reports to FERC and participates in ERCOT, a stakeholder organization established under State law that is similar to the Regional Transmission Organizations envisioned in FERC Order No. 2000. ERCOT includes stakeholders from all segments of the Texas electric market and is responsible for the management and oversight of the day-to-day operations of the transmission network and wholesale market settlement. Under PURA, the PUCT has specific responsibilities to oversee ERCOT operations and market participant compliance with ERCOT Protocols.

Pursuant to the Energy Policy Act of 2005, municipal entities are now subject to certain FERC authority on reliability. On July 20, 2006, FERC certified the North American Electric Reliability Corporation ("NERC") as the nation's Electric Reliability Organization responsible for developing and enforcing mandatory electric reliability standards under FERC's oversight. On April 19, 2007, FERC approved the Delegation Agreement between the NERC and the Texas

Reliability Entity, Inc. ("TRE"), which governs the responsibilities of the TRE as the Regional Entity responsible for overseeing the NERC reliability standards in the ERCOT region. Austin Energy has established compliance programs in its Energy Markets; transmission systems planning, operations and reliability; and Information Technology and Telecommunications units to examine the requirements for compliance with the standards and to evaluate and implement any needed changes to systems and procedures. This process is verified through external audits involving the TRE.

Environmental Regulation - General

Austin Energy's operations are subject to environmental regulation by Federal, State and local authorities. Austin Energy has processes in place for assuring compliance with applicable environmental regulations. Austin Energy's Environmental Services section consists of a staff of educated and trained environmental compliance professionals who are responsible for establishing and maintaining compliance programs throughout the utility. The Environmental Services section interprets existing Federal, State and local regulations and monitors changes to regulations that affect Austin Energy. Austin Energy maintains an Environmental Management Information System ("EMIS"), which delineates roles and responsibilities, and automatically schedules environmental compliance tasks throughout the organization. The Environmental Services section staff and facility personnel monitor conformance with the environmental requirements, report deficiencies to facility management, and coordinate corrective actions where appropriate. Environmental Services is also responsible for conducting environmental training for the organization.

Environmental Regulation Related to Air Emissions

CO_2 GHG New Source Performance Standard for new and existing Power Plants

In 2013, the United States Environmental Protection Agency ("USEPA") proposed New Source Performance Standards ("NSPS") that set Greenhouse Gas ("GHG") limits on any newly built power plants. That rule is not expected to impact Austin Energy. In June 2014, the USEPA proposed a GHG NSPS for all existing power plants, also called the Clean Power Plan. The proposal would require significant reductions in CO2 emissions in Texas, including via increased energy efficiency and renewable energy, and directed each state to develop their own plan to achieve those reductions from the power sector. The USEPA is expected to finalize both the new and existing source rules in summer 2015, and a statewide plan with specific requirements for utilities is expected by summer 2016. Austin Energy's fleet is less carbon intense than the state-wide fleet as a whole because of investments already made in zero-and-low-carbon generation sources. The existing source rule has the potential to transform the power sector and increase costs for all generation owners; however, provided Austin Energy gets credit for its investments to date, including demand-side energy efficiency, Austin Energy is well-positioned to comply with this rule.

Mercury and Air Toxics Standards (MATS)

Published in February 2012, USEPA's final MATS rule sets new emissions limits for mercury and other toxic air emissions from coal and oil-fired electric utility boilers to be achieved by 2015. For Austin Energy, this rule applies to the FPP units 1 & 2. The flue gas desulphurization ("FGD") units or "scrubbers" that were put in operation in 2011 remove a significant portion of the air toxics to below the new limits. Although the scrubbers remove some mercury, additional activated carbon injection will be necessary to enhance the removal of mercury in existing emissions control equipment to below the new limit. Austin Energy and co-owner Lower Colorado River Authority ("LCRA") have installed the activated carbon injection equipment and are currently testing and commissioning this equipment for the MATS rule. Similar to many coal plants, LCRA also applied for and received a one-year extension of the compliance deadline to April 2016 for mercury to reduce the risk of non-compliance and allow more time, as needed, to optimize the new equipment. Austin Energy anticipates its share of that associated capital expense will be approximately $5 million. With the scrubbers already in operation, Austin Energy and LCRA are well-positioned to comply with the MATS rule.

On June 29, 2015, the United States Supreme Court held in *Michigan et al. v. Environmental Protection Agency et al.* that the USEPA must take cost, including cost of compliance, into consideration in exercising its authority under the federal Clean Air Act to regulate power plants, and that it unreasonably interpreted the federal Clean Air Act in adopting the MATS rule by failing to take into account the billions of dollars in economic costs imposed by the MATS rule. The MATS rule is remanded to lower courts for further proceedings consistent with the opinion, which may or may not lead to changes in compliance obligations. Austin Energy and its operating partner at FPP have already made the necessary investment to comply with MATS and will continue with plans to comply until further direction is provided from the courts and the USEPA.

Cross-State Air Pollution Rule and Clean Air Interstate Rule

Austin Energy's large facilities have been complying with the Clean Air Interstate Rule ("CAIR"), a cap-and-trade program for annual NOx and SO2 emissions, since 2009. The USEPA finalized a court-mandated replacement for CAIR in 2011, called the Cross-State Air Pollution Rule ("CSAPR"), with compliance to begin in 2012 for annual NOx, annual SO2 and ozone season NOx emissions in 23 eastern- and mid-U.S. states including Texas. A federal court stayed CSAPR in late 2011 pending judicial review of the rule and in August 2012, the court vacated CSAPR holding that the USEPA had exceeded its authority in the way it apportioned cleanup responsibilities among the affected states. The USEPA appealed to the Supreme Court and in May 2014 won a reversal of the lower court decision to vacate the rule. The USEPA has reinstated CSAPR beginning 2015 and officially removed CAIR requirements. Austin Energy holds more allowances relative to expected emissions for all CSAPR trading programs (annual and seasonal NOx and annual SO2) for the first Phase of CSAPR (2015, 2016). With scrubbers in place at FPP, Austin Energy owns a large surplus of SO2 allowances that have the potential to generate revenue if sold to other utilities. Allowance allocations associated with future phases of CSAPR have not yet been determined by USEPA. Some remaining legal challenges are in progress at the D.C. Circuit, and it is possible that a final resolution of the litigation could remove or reduce compliance risk for Texas utilities.

Proposed revisions to the federal ozone National Ambient Air Quality Standard

In November 2014, the USEPA proposed to lower the national ambient air quality standards ("NAAQS") for ozone from 75 ppb to a value between 65 and 70 ppb, and is expected to finalize a new standard in October 2015. As of the end of 2014, the City's ozone levels were at 69 ppb, and the City could potentially become an ozone non-attainment area depending on whether the final level of the standard is below the City's ozone level. Official non-attainment designations are expected to be final in 2017; if at this point the City is non-attainment, the major risk to Austin Energy would be additional requirements and potential costs for permitting any new local power plants. All Texas power plants including FPP could also be subject to some level of NOx control if widespread non-attainment occurs in Texas; Austin Energy is similarly positioned to most other generator owners in the State.

Environmental Regulation Related to Water Discharges

Section 316(b) of the Clean Water Act establishes requirements to minimize the impact of cooling water intake structures on aquatic organisms. The USEPA promulgated revised standards in 2014 that require cooling water intake structures to be designed to limit organism impingement and entrainment. All major power plants with once-through cooling will be required to complete studies over the next four years assessing impacts to aquatic organisms and appropriate mitigation measures, and plants with potential impacts could be required to upgrade intake structures to meet the new criteria. The rule applies to Decker Creek Power Station and FPP. However both facilities were built on reservoirs specifically made for cooling, which the rule effectively exempts from some of the major requirements. Overall risk associated with this rule is believed to be low at this time and would likely not be realized until four years from now.

Environmental Regulation Related to Hazardous Wastes and Remediation

In January 2015, the USEPA promulgated a rule that sets new requirements for the storage of Coal Combustion Residuals ("CCRs") and potentially reclassifies those CCRs as a hazardous waste when stored in a landfill. FPP, like all coal burning plants, generates CCRs such as fly ash, bottom ash and gypsum. FPP currently recycles the majority of its CCR for beneficial use, such as for road base or as cement substitutes, with the remaining fractions stored onsite in a landfill for possible future use (recycle rates depend on market demand for the product). In 2011, Austin Energy and LCRA completed a project to permanently close a "wet" ash pond where ash slurry had previously been sent for dewatering before recycle, and converted ash handling to a dry system. The final rule does not designate CCRs as hazardous and largely minimizes any requirements on existing CCR storage units currently at FPP. Because the ash pond has been closed, Austin Energy does not anticipate any significant future costs associated with this rule at this time.

Environmental - Other

Austin Energy began decommissioning the Holly Street Power Plant in 2011. This project includes the removal of the main power plant and adjacent support structures and the cleanup of historical contamination and site closure approval by the State. This project is expected to be completed by the end of 2015.

Nuclear Regulation

Nuclear generation facilities are subject to regulation by the Nuclear Regulatory Commission ("NRC") and are required to obtain liability insurance and a United States Government indemnity agreement in order for the NRC to issue operating licenses. This primary insurance and the retrospective assessment discussed below are to insure against the maximum liability under the Price-Anderson Act for any public claims arising from a nuclear incident which occurs at any of the licensed nuclear reactors located in the United States.

STP is protected by provisions of the Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities even though the statutory protections for many non-commercial reactors are different. The Price-Anderson Act expires on December 31, 2025. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants remains at $13.6 billion per unit per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $127.318 million per unit, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $18.96 million per year per reactor for each nuclear incident. The City and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of the assessments, STP has two licensed reactors. The participants (including the City) have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of $300 million for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988 who do not use the workers' compensation system as sole remedy and bring suit against another party. The limit increased to $375 million effective January 1, 2010.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of $1.06 billion. NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP currently maintain $2.75 billion of nuclear property insurance, which is above the legally required amount of $1.06 billion for such losses ($2.75 billion is the maximum amount available for purchase from Nuclear Electric Insurance Limited ("NEIL")). Nuclear property insurance consists of $1.5 billion in primary property damage insurance and $1.25 billion of excess property damage insurance, both subject to a retrospective assessment being paid by all members of NEIL. In the event that property losses as a result of an accident at any nuclear plant insured by NEIL exceed the accumulated fund available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for both primary and excess property damage insurance is $62.76 million during any one policy year. This number changes annually and is calculated as 10 times the current premium for each policy.

The NRC regulations set forth minimum amounts required to demonstrate reasonable financial assurance of funds for decommissioning of nuclear reactors. Beginning in 1990, each holder of an operating license is required to submit to the NRC a bi-annual report indicating how reasonable assurance would be provided. The City provides the required report on its share of STP to the NRC which is based on the minimum amount for decommissioning, excluding waste disposal, as required by the NRC regulations of $105 million per unit (January 1986 dollars). This minimum is required to be adjusted annually in accordance with the adjustment factor formula set forth in the regulations. The 2014 report provided by the City based reasonable assurance on the minimum amount (January 1986 dollars) as adjusted by the adjustment factor formula set forth in the regulations. The City has established an external irrevocable trust for decommissioning with JPMorgan Chase Bank, N.A. The City has been collecting for its share of anticipated decommissioning activities which may begin as early as 2027 through its rates since Fiscal Year 1989. The decommissioning trust market value on September 30, 2014 was $196,653,680.03. For Fiscal Year 2015, Austin Energy estimates that it will continue to collect approximately $5 million for decommissioning expense. In 2007 dollars, the minimum amount for decommissioning the City's share of STP is $221 million.

Events Affecting the Nuclear Industry

On March 11, 2011, a region of Japan sustained significant loss of life and destruction because of a major earthquake and resulting tsunami. Included in the damage areas were the Fukushima nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC began looking into the safety aspects of nuclear plant operations in the United States with the objective of assuring that events such as those at the Fukushima plant do not occur in this country. On August 31, 2012, the NRC issued Interim Staff Guidance ("ISG") to U.S. nuclear power plants to ensure proper implementation of three orders the agency issued in March, in response to lessons learned from the Fukushima Dai-ichi nuclear accident. The ISGs represent acceptable approaches to meeting the orders' requirements before their December 31, 2016 compliance deadline. The ISGs are not mandatory, but U.S. nuclear power plants would have to seek NRC approval in order to follow a different compliance approach. The NRC issued draft versions of the ISGs on May 31, 2012 and asked for public input. The final ISGs, finalized on August 31, 2012, reflect information gained from the month-long comment period and subsequent public meetings.

The first NRC order requires all U.S. plants to better protect portable safety equipment put in place after the 9/11 terrorist attacks and to obtain sufficient equipment to support all reactors and spent fuel pools at a given site simultaneously. The ISG for this order endorses the industry's updated guidance for dealing with a scenario that knocks out all of a plant's alternating current electric sources. The updated approach includes the use of backup power supplies for devices that would burn off accident-generated hydrogen before it could accumulate to explosive levels. The staff concludes the updated approach will successfully implement the first NRC order. The ISG is available in the Agencywide Document Access and Management System ("ADAMS") under accession number ML12229A174; the associated industry document is available under accession number ML12242A378. STP has completed engineering design and is currently installing equipment and modifications to address these requirements. Periodic audits from the NRC are required as these additions and modifications are being completed.

The second NRC order applies only to U.S. boiling-water ("BWR") reactors that have "Mark I" or "Mark II" containment designs. Mark I reactors must improve installed venting systems that help prevent core damage in the event of an accident; Mark II reactors must install these venting systems. The ISG for this order provides more detailed technical information on the vents, as well as how vent designs and operating procedures should avoid, where possible, relying on plant personnel taking actions under hazardous conditions. The second ISG is available in ADAMS under accession number ML12229A475. Since the STP units are Pressurized Water Reactor's and not BWR's, no changes are required.

The third NRC order requires all plants to install enhanced equipment for monitoring water levels in each plant's spent fuel pool. The ISG for this order largely endorses an industry document that the staff concludes will successfully implement the order. The ISG defines in more detail the water levels the new equipment must accurately report, as well as standards for equipment mounting, powering and testing, personnel training and other criteria. The final ISG notes several areas, including instrument qualifications and instrument protection from falling debris, where the industry revised its initial approach. An exception in the staff's endorsement sets specific seismic criteria to ensure the instruments will survive an earthquake. This ISG is available in ADAMS under accession number ML12221A399; the associated industry document is available under accession number ML12240A304. STP has completed engineering design and is currently installing equipment and modifications to address these requirements. Periodic audits from the NRC are required as these additions and modifications are completed.

THE CITY

Administration

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. As a result of an amendment to the Austin City Charter approved at an election held in November, 2012, the configuration of the City Council has changed from a seven member council, comprised of a Mayor and six council members elected at large, to an 11 member council, with the Mayor to be elected at large, and the remaining members to be elected from 10 single member districts. The first council election held in accordance with the 2012 amendment to the City Charter was held November 4, 2014. See APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY – General Information" in this document.

By charter, the City Council appoints a City Manager for an indefinite term who acts as the chief administrative and executive officer of the City. The duties include, among others, the supervision of all City departments, the preparation and administration of an annual budget and the preparation of a report on the finances and administrative activities of the City. Marc Ott was appointed City Manager in January 2008.

City Manager – Marc A. Ott

Mr. Marc A. Ott was selected as City Manager for the City by the Austin City Council in January 2008. Mr. Ott is the 17th person in City history to be appointed City Manager in a full-time capacity. Mr. Ott previously served as Assistant City Manager for infrastructure services for the City of Fort Worth. In that role, he was responsible for Fort Worth's infrastructure operations carried out by the departments of Water, Transportation and Public Works, Engineering and Aviation. Mr. Ott was also responsible for implementing one of the Fort Worth City Council's top strategic priorities: promoting orderly growth. Prior to his position in Fort Worth, Mr. Ott was City Administrator for the City of Rochester Hills, Michigan, where he had administrative and managerial oversight of all municipal operations. In addition, Mr. Ott was City Manager of Kalamazoo, Michigan, from 1993 to 1997. He also served as that city's Deputy City Manager for two years and as an Assistant City Manager for almost a year. Mr. Ott earned his bachelor's degree in management with a concentration in economics from Michigan's Oakland University and master's degree in public administration from the same university. He is also a graduate of the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government, Harvard University.

Chief Financial Officer – Elaine Hart, CPA

Ms. Elaine Hart received her B.B.A. in Accounting from The University of Texas at Arlington. Her career with the City spans more than 20 years, including over 10 years in public power. Ms. Hart served as Interim Chief Financial Officer for two months before being appointed to the position of Chief Financial Officer in April 2012. Prior to her appointment as Chief Financial Officer, she served as Senior Vice President of Finance and Corporate Services for Austin Energy, the municipally-owned electric utility. During her tenure at the City (service not continuous), she has also served in other financial capacities, including the City's Chief Financial Officer in the late 1980s, Assistant Finance Director, City Controller and Deputy City Auditor. Ms. Hart also has private sector auditing, accounting and consulting experience.

Services Provided by the City

The City's major activities include police and fire protection, emergency medical services, parks and libraries, public health and social services, planning and zoning, general administrative services, solid waste disposal, and maintenance of bridges, streets and storm drains. The City owns and operates several major enterprises including Austin Energy, Austin Water, an airport and two public event facilities.

Employees

Municipal employees are prohibited from engaging in strikes and collective bargaining under State law. An exception allows fire and police employees to engage in collective bargaining (but not the right to strike) after a favorable vote of the electorate. The voters have approved collective bargaining for fire fighters but not for police officers. Approximately 15% of the City's employees are members of the American Federation of State, County and Municipal Employees, 8% are members of the American Police Association and 7% are members of the International Association of Fire Fighters.

In November 2012, Austin voters approved Proposition 10 to establish for the first time a Municipal Civil Service system for most City employees that are not covered by state Civil Service law. Those City of Austin personnel under the state law include uniformed/non-civilian Emergency Medical Services, Fire and Police. Following the approval of Proposition 10, the City's Human Resources Department conducted a development process to draft and implement Municipal Civil Service Rules, which were approved by Council in 2014.

The City does not have automatic escalators in payroll or in its retirement systems. The retirement systems may grant cost-of-living increases up to 6% for the municipal employees and 6% for police officers and a percentage based on the amount of increase in the Consumer Price Index for the firemen only if recommended by the independent actuary and approved by the retirement boards.

Annexation Program

The City annexes territory on a regular basis. Chapter 43 of the Texas Local Government Code regulates annexation of property by Texas municipalities. Before annexing territory, the City must develop a service plan describing the municipal services - police and fire protection, sanitation, provision and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks - to be provided to the annexed area. Generally, those services may not be at a lower level of service than provided in other areas of the City with similar characteristics. The City is not obligated to provide a uniform level of service to all areas of the City where differing characteristics of population, topography, and land use provide a sufficient basis for different service levels.

Under current State law, there are two processes for the annexation of territory into a city. The three-year Municipal Annexation Plan ("MAP") process applies generally to populated annexation areas, i.e., those that include 100 or more properties with a house on each lot. Unpopulated areas, areas that are annexed by consent, and areas that meet certain other criteria follow the "exempt area process". The processes involve staff review, development of a service plan (or regulatory plan for a limited purpose annexation), property owner notification, publication of a newspaper notice, two public hearings, and ordinance approval. The MAP process also includes an inventory of existing services and a period in which residents appointed by the county commissioners negotiate with City staff on the service plan.

If the annexation service plan for an annexation area includes a schedule for the provision of full municipal services, the City has two and one-half years from the date of the annexation to substantially complete the capital improvements necessary to provide services to the area. However, if necessary, the City may propose a longer schedule. A wide range of services – police and fire protection, sanitation, and maintenance of public facilities such as water and wastewater facilities, roads, streets, and parks – must be provided immediately following annexation. Failure to provide municipal services in accordance with the service plan may provide grounds for a petition and court action for compliance with the service plan or for disannexation of the area, and may also result in a refund of taxes and fees collected for services not provided. The City may not reannex for ten years any area that was disannexed for failure to provide services; however, the City has never been forced to disannex due to such failure.

Some of the areas which may be considered for annexation will include developed areas for which water, sewer, and drainage services are being provided by utility districts created for such purposes. Existing utility districts, as well as new districts that may be created from time to time, may issue bonds for their own improvements. Such bonds are generally payable from the receipts of ad valorem taxes imposed by the district and, in some cases, are further payable from any net revenues derived from the operation of its water and sanitary sewer systems. State law generally requires that if a city is annexing a district, the district must be annexed in its entirety. Upon annexation by a city, a district is dissolved and the city assumes the district's outstanding bonds and other obligations and levies and collects ad valorem taxes on taxable property within the corporate limits of the city ad valorem taxes sufficient to pay the principal of and interest on such assumed bonds.

The City also assumes liabilities when it annexes land in an Emergency Services District ("ESD") and that territory is disannexed from the ESD. This liability, however, is limited to assumption of a pro-rata share of debt and assumption of those facilities directly used to provide service to the area.

The City Charter and the State's annexation laws provide the City with the ability to undertake two types of annexation. "Full purpose" annexation discussed above, annexes territory into the City for all purposes, including the assessment and collection of ad valorem taxes on taxable property. The second type of annexation is known as "limited purpose" annexation by which territory may be annexed for the limited purposes of "Planning and Zoning" and "Health and Safety." Territory so annexed is subject to ordinances achieving these purposes: chiefly, the City's zoning ordinance, building code, and related ordinances regulating land development. Taxes may not be imposed on property annexed for limited purposes; municipal services are not provided; and residents of the area are restricted to voting only in City elections for City Council and Charter amendments. The City believes that limited purpose annexation is a valuable growth management tool. Since 1999 the City has annexed over 23,000 acres of territory for limited purposes. Strategic

Annexation Programs are developed annually. These programs prioritize areas to be considered for annexation, usually at the end of the calendar year, to minimize the fiscal impact to the City.

The following table sets forth (in acres) the annual results of the City's annexations since 2005.

Calendar Year	Full Purpose Acres (1)	Limited Purpose Acres
2005	1,914	1,234
2006	351	621
2007	2,466	1,266
2008	2,262	14
2009	295	984
2010	1,129	2,495
2011	726	0
2012	3,387	3,818
2013	3,484	594
2014	897	136

(1) Includes acres converted from limited purpose to full purpose status.

Recent Annexation

The City annexed seven areas for full purposes in 2014, including approximately 900 acres of undeveloped land. If developed as anticipated, these areas would include an estimated 1,498 dwelling units and a projected population of 3,747 persons at build-out. The taxable assessed value ("TAV") for these areas as of January 1, 2015 was approximately $12.6 million.

In 2013, the Wildhorse Ranch and the remainder of the Goodnight Ranch proposed developments were converted from limited to full purpose annexation status. In addition, the City annexed one commercial area and several undeveloped areas for full purposes for a total of 3,484 acres for the year. The TAV for these areas was approximately $17 million. City Council also approved the creation and limited purpose annexation of a new Public Improvement District ("PID"), Estancia, which is located on the southern edge of the City along Interstate Highway 35 South. Future full purpose annexation of this area will occur in accordance with the terms of the development agreement.

The City annexed 3,818 acres for limited purposes in 2012 in accordance with Strategic Partnership Agreements ("SPAs") with nine new MUDs. Full purpose annexation will be deferred to allow the MUDs to issue debt for major infrastructure improvements and public amenities to serve two large new mixed-use developments in eastern Travis County. In addition, the City annexed 3,387 acres for full purposes including two fully developed areas with mixed commercial, industrial, and residential land uses; four vacant tracts with development plans approved or in process; the Circuit of the Americas racetrack site; and two other associated undeveloped or publicly owned sites. The total TAV for these areas exceeds $119,000,000.

In 2011, the remaining portion of Ribelin Ranch consisting of undeveloped wildlife habitat preserve land was converted from limited to full purpose annexation status. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The TAV for these areas was approximately $20,510,145.

The 2010 annual program included full purpose annexation of several developed residential and commercial areas, planned residential areas, and public right-of-way. Together the City's full and limited purpose annexations included approximately 8,500 residents and 3,624 acres. In accordance with the terms of the amended SPA between the City and the Springwoods Municipal Utility District, this area was annexed for limited and later full purposes. In addition, the City annexed the adjacent Springwoods MAP area. City Council also approved the creation and limited purpose annexation of two new PIDs, Whisper Valley and Indian Hills. Future full purpose annexation of these areas will occur in accordance with the terms of the development agreement.

In accordance with the terms of a SPA between the City and the River Place Municipal Utility District (the "River Place MUD"), all of the territory in the River Place MUD not previously annexed by the City was annexed for limited purposes of planning and zoning in 2009. In addition, the 2009 annual program included full purpose annexation of three small developed residential areas, a commercial and industrial area, and city owned property. Austin surpassed 300 square miles in incorporated area in 2010 and the City's estimated population grew to 778,560 people.

In 2008, Austin annexed the largest population since 1997, approximately 13,400 people. The largest of the 2008 annexations was Anderson Mill Municipal Utility District, which is more than 1,000 acres in size. This annexation resulted from a 1998 SPA between the City and the district. Other populated areas annexed for full purposes in 2008 include North Acres and Anderson Mill Estates, most of which were already in the City's limited purpose jurisdiction due to 1984 annexations. The City also annexed commercial properties and several new subdivisions under development. The TAV annexed in 2008 was over $1.1 billion.

2007 saw the conversion of Watersedge, Ribelin Ranch, and approximately one-half of Goodnight Ranch from limited purposes to full purposes. The remaining portion of Ribelin Ranch, consisting of undeveloped wildlife habitat preserve land, was converted from limited to full purpose annexation status in 2011. In addition, the City annexed a commercial and industrial area as well as a partially developed single-family residential subdivision for full purposes. The total TAV for these areas was approximately $20,510,145. In addition, the final remaining portions of Avery Ranch, annexed for limited purposes in 2000, were converted to full purposes. Several planned residential subdivisions in the extraterritorial jurisdiction were annexed. In total, 2,466 full purpose acres and $22 million in TAV were annexed in 2007.

The Pearce Lane/Ross Road area, located in southeast Travis County, was converted to full purpose annexation status in December 2006. This annexation area was added to the City's MAP in 2003 and includes two Del Valle Independent School District sites. Approximately $83 million in TAV and over 2,500 residents were added to the City. Sunfield Municipal Utility District No. 2 includes 575 acres southeast of Austin and was annexed for limited purposes in 2006.

In 2005, full purpose annexation of the Springfield and Walnut Creek MAP areas added over $123 million in TAV and 375 acres to the City. Nearly all the remaining Avery Ranch subdivision areas in Williamson County were converted from limited to full purpose annexation status in 2005. A total of 1,914 full purpose acres and over $140 million in TAV were annexed in 2005. Limited purpose areas annexed included Goodnight Ranch, Watersedge and the Woods at Greenshores.

Approximately $50 million in TAV was annexed for full purposes in 2004. Over 6,000 acres northwest of the City, known as the Robinson Ranch area, and the 748 acre Ribelin Ranch area, were annexed for limited purposes in June 2004.

Future Annexation

Three area MUDs are scheduled for annexation under approved SPAs with the City. The commercial portion of Lost Creek MUD was annexed in 2008 while annexation of the remaining residential property will take place in 2015. It is anticipated that River Place MUD will be annexed for full purposes in its entirety in December 2017. Shady Hollow MUD is scheduled for full purpose annexation in December 2020.

Pension Plans

There are three contributory defined benefit retirement plans for the Municipal, Fire, and Police employees. State law requires the City to make contributions to the funds in an amount at least equal to the contribution of the employee group. The contributions made by the City to the City of Austin Employees Retirement System ("COAERS") include amounts allocable to the City employees within Austin Water. The contributions allocable to such employees are paid from Gross Revenues and constitute Operating Expenses of the Water and Wastewater System.

The following describes the contributions in place as of September 1, 2015. Municipal employees contribute 8.0% and the City contributes 18.0% of payroll. The Firefighters (who are not members of the Social Security System) contribute 17.7% of payroll, and the City contributes 22.05%. The Police Officers contribute 13.0% and the City contributes 21.63% of payroll.

The contributions to the pension funds are designed to fund current service costs and to amortize the unfunded actuarial accrued liability. As of December 31, 2014, the amortization period of the unfunded actuarial accrued liability for the COAERS was 24.0 years, for the Police Officers' Fund was 28.6 years and the Firefighters' Fund was 10.57 years.

As of December 31, 2014, the actuarial accrued liability for the COAERS was $3,094,055,712 and the funded ratio was 70.9%. The actuarial accrued liability for the Police Officers' Fund was $968,340,394 and the funded ratio was 67.5%. The actuarial accrued liability for the Firefighters' Fund was $868,146,375 and the funded ratio was 90.9%.

Although the COAERS funding period had been infinite since December 31, 2002, investment losses in 2008 of 25.9% led to a significant decrease in the actuarial funded ratio and a significant increase to the unfunded actuarial accrued liability. In 2005, a Supplemental Funding Plan ("SFP") was approved that increased the City's annual contribution rate to a maximum of 12%, but even this additional funding was not sufficient to restore the long-term financial health of the COAERS. In FY 2011, City Council approved an amendment to the SFP that increased the City contribution rate to a maximum rate of 18% of pay to be contributed by 2013. The City contributed an additional 6% in FY 2011, an additional 8% in FY 2012 and an additional 10% in FY 2013 pursuant to the terms of the SFP, which brought the City's contribution rate to the maximum of 18%. In addition, a new benefit tier for new employees hired on or after January 1, 2012, was approved by the COAERS Board of Trustees, the City Council and the Texas Legislature. The new benefit tier increases the age and service criteria necessary to reach retirement eligibility. It also decreases the pension multiplier, which is used to determine the final pension amount paid to future retirees. These two actions are expected to substantially improve the long-term financial health of the COAERS over time.

The net pension obligation for the COAERS at September 30, 2014 totaled $126.6 million.

See APPENDIX B – "Audited Financial Statements – Note 7" in this document for additional information on the City's Pension Plans.

Other Post-Employment Benefits

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits ("OPEBs") to its retirees. Other post-employment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other post-employment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other post-employment benefits for retirees or their dependents. Allocation of City funds to pay other post-employment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium. The estimated pay-as-you-go cost of providing medical and life benefits was $33.3 million for 4,189 retirees in 2014 and $26.9 million for 3,945 retirees in 2013. As of September 30, 2014, the net OPEB obligation is $690.3 million.

See APPENDIX B – "Audited Financial Statements – Note 8" in this document for additional information about the City's OPEB.

Insurance

The Liability Reserve Fund is the insurance fund of the City for settled claims, expenses, and reserves relating to third party liability claims for injury and property damage, including professional liability. The Liability Reserve Fund is used to pay for actual claims incurred and related expenses for settling these claims, for budgeted administrative costs for the fund's operations, and to estimate incurred, but not reported claims. The Liability Reserve Fund had accrued liabilities of approximately $10.6 million for claims and damages at the end of fiscal year 2014. Employee injuries are covered by the Workers' Compensation Fund, and health claims are protected by the Employee Benefits Fund.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the main text of the Official Statement within the various tables (except for "DEBT INFORMATION - Estimated Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes" in this document) and in APPENDIX B. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City will update and provide this financial information and operating data as of the end of each fiscal year within six months after the end of each fiscal year, beginning with the fiscal year ending in 2015 and audited financial statements within 12 months of each fiscal year beginning with the fiscal year ending in 2015. If audited financial statements are not available within 12 months after any such fiscal year end, the City will provide unaudited financial statements within such 12 month period and audited financial statements for such fiscal year when and if the audit report on such statements becomes available.. The City will provide the updated information to the MSRB through its Electronic Municipal Market Access ("EMMA") information system.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule"), promulgated by the United States Securities and Exchange Commission (the "SEC").

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the event, of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Bond or Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. (Neither the Obligations nor the Ordinances make any provision for debt service reserves or liquidity enhancement.) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data by the time required by the Ordinances.

As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. 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 jurisdiction has been assumed by leaving the City Council and officials or officers of the City 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. The term "Business Day" means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

Availability of Information

In connection with its continuing disclosure agreement entered into with respect to the Obligations, the City will file all required information and documentation with the MSRB in electronic format and accompanied by such identifying information as prescribed by and in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described in this document in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. 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

The City did not file its unaudited or audited financial statements for the Fiscal Year ended September 30, 2011 by the required deadline of March 31, 2012. The audited financial statements of the City for such Fiscal Year were filed on April 2, 2012. Annual financial information and operating data of the City were filed by the required time in accordance with the City's continuing disclosure agreements in the above-cited year in which the audited financial statements were filed after March 31. The City has filed an event notice in connection with the late filing. In addition, multiple rating changes occurred with respect to certain obligations of the City between 2009 and 2013, and the City did not file event notices with respect to certain of such rating changes. The City has filed event notices with respect to the current ratings of certain of its outstanding obligations. In its annual financial information and operating data filings for the City's electric system and water and wastewater system revenue bonds, for the years 2009, 2010, and 2011, the City omitted a table relating to the City's equity in its electric utility and water and wastewater systems. While the information contained in such table was generally obtainable from its audited financial statements for such years, the City has, since its Fiscal Year 2012 filing, included this table in its annual financial information and operating data filings for the City's electric system and water and wastewater system revenue bonds. Also, the City inadvertently omitted several tables from the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City. The City filed the omitted information on May 14, 2014. The City recently determined that a table in its continuing disclosure regarding its outstanding Airport System Revenue Bonds had transposed years in the presentation of data. The City filed corrected information on May 8, 2015. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

TAX EXEMPTION

Delivery of the Obligations of each series is subject to the opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, that interest on the Bonds, Certificates and Contractual Obligations, respectively, will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

Interest on the Obligations owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Obligations. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Obligations in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the City with certain covenants contained in the Ordinances for Obligations and has relied on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of bond proceeds and any facilities financed therewith, the source of repayment of the Obligations, the investment of bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of bond proceeds and certain other amounts be paid periodically to the United States and that the City file an information report with the Internal Revenue Service. If the City should fail to comply with the covenants in the Ordinances for the Obligations or if its representations that are contained in the Ordinances for the Obligations should be determined to be inaccurate or incomplete, interest on the Obligations could become taxable from the date of delivery of the Obligations, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Obligations.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Obligations is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the respective owners of the Obligations may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Obligations, the City may have different or conflicting interests from the respective owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations, such as the Obligations, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Obligations.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Obligations to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Obligations from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Obligations. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM OBLIGATIONS

Discount Obligations

Certain maturities of the Obligations may be offered at an initial offering price which is less than the stated redemption price at maturity of such Obligations. If a substantial amount of any maturity of the Obligations is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or initial purchasers) at such initial offering price, the Obligations of that maturity (the "Discount Obligations") will be considered to have "original issue discount" for federal income tax purposes. An initial owner who purchases a Discount Obligation in the initial public offering of the Obligations at such an initial offering price will acquire such Discount Obligation with original issue discount equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Obligation and (b) the initial public offering price to the public of such Discount Obligation. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Discount Obligation and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Obligation continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Obligations under the caption "TAX EXEMPTION" in this document generally applies to original issue discount deemed to be earned on a Discount Obligation while held by an owner who has purchased such Discount Obligation at the initial offering price in the initial public offering of the Obligations and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Obligation prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Obligation in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Obligation continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Obligation will be treated for federal income tax purposes as interest on an Obligation, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. See "TAX EXEMPTION" in this document for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Obligation or of the City. The portion of the principal of a Discount Obligation representing original issue discount is payable upon the maturity or earlier redemption of such Obligation to the registered owner of the Discount Obligation at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Obligation is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Obligations by an owner that did not purchase such Obligations in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Obligations should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Obligations.

Premium Obligations

Certain maturities of the Obligations may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Obligations. If a substantial amount of any maturity of the Obligations is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or initial purchasers) at such initial offering price, each of the Obligations of such maturity ("Premium Obligation") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Obligation in the hands of an initial purchaser who purchases such Premium Obligation in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Premium Obligation by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Obligation by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium with respect to the Premium Obligations. The amount of bond premium on a Premium Obligation which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Obligation based on the initial purchaser's original basis in such Premium Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Obligations that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Obligations of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Obligations should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Obligations.

OTHER RELEVANT INFORMATION

Ratings

The Obligations have received ratings of "AAA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AAA" by Fitch Ratings, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). The presently outstanding ad valorem tax-supported debt of the City is rated "AAA" by S&P, "AAA" by Fitch and "Aaa" by Moody's. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price of the Obligations. Except as provided under "CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices" in this document, the City will undertake no responsibility to notify the owners of the Obligations of any such revisions or withdrawal of ratings.

Litigation

A number of claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City Attorney and the City Management are of the opinion that resolution of the claims pending (including the matter described below) will not have a material effect on the City's financial condition or the financial condition of Austin Energy and/or the Water and Wastewater Utility.

Electric Utility System Litigation

The City has been named in a multi-party lawsuit stemming from the September 4, 2011 wildfire that damaged a number of properties in the Steiner Ranch community. Plaintiff, Ronya Aigner, Individually and as Heir of the Estate of Kevin Lee Aigner, filed suit on November 2, 2012. Plaintiff alleges that the City caused the fire, which allegedly led to the death of Kevin Aigner, a Travis County Constable, who suffered a stroke while working in the Steiner Ranch area six days after the fire. Over 20 insurance companies representing hundreds of property owners intervened in the lawsuit and also alleged that the City caused the fire through its allegedly improper maintenance and operation of power lines. An additional personal injury claimant intervened in the lawsuit alleging that the fires aggravated an individual's pre-existing Tourette syndrome condition. Five underinsured plaintiffs have also intervened. The City has filed a motion challenging jurisdiction that is currently on appeal in the Third Circuit Court of Appeals. The carriers presented property damage claims, including under-insured claims of approximately $15 million. The appellate court dismissed Plaintiffs' inverse condemnation claims and remanded the case back to the trial court. The parties are currently in the discovery phase and the City anticipates receiving detailed damages claims. If the case is not resolved, trial is anticipated in February of 2016.

Registration and Qualification

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Obligations are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Obligations are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the PFIA, the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

Legal Matters

The delivery of each series of the Obligations is subject to the approval of the Attorney General of Texas to the effect that such Obligations are valid and legally binding obligations of the City payable from sources and in the manner described in this document and in the respective Ordinances and the approving legal opinions of Bond Counsel. The forms of Bond Counsel's opinions are attached hereto in Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the sale and delivery of the Obligations. The legal opinions of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the definitive Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Haynes & Boone, LLP, Counsel for the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel 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 in this document except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this document under the captions "OBLIGATION INFORMATION" (except for the information under the subcaptions "Sources and Uses of Funds," "Remedies" and "Book-Entry-Only System"), "TAX INFORMATION – Tax Rate Limitation," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), "TAX EXEMPTION," "TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM OBLIGATIONS," and the information under the subcaptions "OTHER RELEVANT INFORMATION - Registration and Qualification," " - Legal Investments and Eligibility to Secure Public Funds in Texas," and " - Legal Matters," and such firm is of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described, and such information conforms to the Ordinances.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed in those opinions. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the 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 from the transaction.

Financial Advisor

Public Financial Management, Inc. ("PFM"), Austin, Texas, is employed as Financial Advisor to the City in connection with the issuance, sale and delivery of the Obligations. The payment of the fee for services rendered by PFM with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. PFM, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Obligations.

Independent Auditors

The financial data listed as fiscal year 2015 has been derived from the unaudited internal records of the City. The City's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor the forward-looking financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report which contains an explanatory paragraph regarding the City's implementation of GASB Statement 65, Items Previously Reported as Assets and Liabilities, which established standards of accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities to deferred outflows or inflows of resources.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of $973,935.60. The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of $180,225.77. The Underwriters have agreed, subject to certain conditions, to purchase the Contractual Obligations from the City at a price equal to the initial offering prices to the public, as shown on the inside front cover page of this Official Statement, less an underwriting discount of $48,221.99. The Obligations to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices of such Obligations, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following paragraphs for inclusion in the Official Statement, and the City takes no responsibility for the accuracy thereof. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Jefferies LLC ("Jefferies"), an Underwriter of the Bonds, has entered into an agreement (the "Jefferies Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Jefferies Agreement, Jefferies will sell Obligations to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Pershing Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Pershing Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper.

Forward - Looking Statements

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. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included in this document 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.

Verification of Arithmetical and Mathematical Calculations

The Arbitrage Group, Inc. (the "Verification Agent"), a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the City its report indicating that they have examined the mathematical accuracy of computations prepared by PFM relating to (a) the sufficiency of the anticipated receipts from the Securities and on the Bonds and (b) language regarding yields.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report. The report of the Verification Agent will be relied upon by Bond Counsel in rendering their opinion with respect to the exclusion of interest on the Obligations for federal income tax purposes and with respect to the defeasance of the Refunded Obligations.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this document 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 will be realized. All of the summaries of the statutes, documents and resolutions contained in this document are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Certification of the Official Statement

This Official Statement, and the execution and delivery of this Official Statement was approved and authorized by the Ordinances adopted by the City Council on August 20, 2015.

\s\ Steve Adler
Mayor
City of Austin, Texas

ATTEST:

\s\ Jannette Goodall
City Clerk
City of Austin, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information is presented for informational purposes only.

General Information

The City of Austin (the "City"), chartered in 1839, has a Council-Manager form of government under its home rule charter. A change in governance affecting City Council size, composition, and term duration was approved by the voters with the passage of Propositions 1 – 3 on November 6, 2012. Under the new governance, the Mayor remains elected at-large and ten Councilmembers are elected by geographic district, with all serving four-year staggered terms subject to a maximum of two consecutive terms. The voters also approved moving elections from May to November in even-numbered years, the first of which was held in November 2014. Currently half of the Councilmembers are serving a two-year term as a part of the transition to this new Council structure which became effective January 6, 2015. The City Manager, appointed by the City Council, is responsible to the City Council for the management of all City employees and administration of all City affairs.

The City, which is the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) and the eleventh largest in the nation with a September 2014 population of 878,002 according to the City's estimates. Over the past ten years, Austin's population has increased by approximately 26.2%, or 182,121 residents. Geographically, the City consists of approximately 321 square miles. The current estimated median household income for residents of the City is $49,227 according to Public Financial Management, Inc. The City's per capita income is estimated to be $46,990 based on analysis of the Bureau of Economic Analysis information.

The City is nationally recognized as a great place to live due in part to its diverse and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. The City draws its special character from its physical setting along the Balcones Escarpment, a city wedged between coastal plains and dramatic cliffs, canyons, and juniper-carpeted rolling hills. Austin's quality of life has become its biggest economic development engine, and the City's diverse demographic structure serves to support and enrich its quality of life.

The City offers several broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with 45.6% of adults twenty-five years or older holding a bachelor's or advanced degree, compared to 28.8% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the sixth largest public university in the nation, is known as a world-class center of education and research and was ranked 17th among public universities in the 2015 *U.S. News and World Report* survey of undergraduate programs.

Local Economy

The Austin metropolitan area is consistently recognized among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. The Milken Institute ranked the Austin metropolitan area number 2 in its *2014 Best-Performing Cities* report, which ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The index "was designed to measure objectively which U.S. metropolitan areas are promoting economic vitality based on job creation and retention, the quality of new jobs, and other criteria." In its report the Institute noted that, "Austin is the most consistent Top 5 finisher in the history of our Best-Performing Cities index".

From job growth to population growth to real estate, the Austin metropolitan area continues to boom and the trends reflect it. The Brookings *Metro Monitor* ranks Austin's economic performance from the recession until the second quarter of 2014 as the best in the nation based on an analysis of jobs, unemployment, gross product, and home prices. Austin's overall growth is expected to continue into the future. During 2014, *U.S. Metro Economies*, which is prepared by IHS Global Insight for the US Conference of Mayors, projected that the City will have the highest level of growth in real gross metro product in the country through 2020, growing at an average annual rate of 4.4%.

In January 2015, *Forbes* confirmed Austin's popularity as a great place to live and work as the City was ranked second on its list of "America's Fastest-Growing Cities 2015". Austin has ranked first or second on this list for the last five years. During 2014, the City's demographer estimated that the population was growing at the rate of 110 people per day.

The Texas economy has been strong for well over a decade, adding 2.1 million jobs since 2000, or 30% of total jobs added in the United States during that period. Moody's Analytics economic research firm expects Texas job growth to continue to lead the nation over the next five years, expanding at an annual rate of 2.7%. In November 2014, *Forbes* listed Texas as the Best State for Job Growth. *Forbes* has indicated that Texas "ranks first for both its current economic climate and growth prospects in our annual study on the Best States for Business." Texas is home to 5 of the top 10 best-performing large cities and 3 of the top 10 best-performing small cities according to the Milken Institute index.

Employment - Virtually all Texas metro areas had more jobs in December 2014 than in December 2013. Texas' employment growth at 4% continues to outpace the nation at 2.2%. The Austin metro area employment is also growing faster than the national rate at 2.9%. Austin's unemployment rate was at 3.4% in December 2014, down from 4.5% in December 2013. The State and National unemployment rates in December 2014 were 4.6% and 5.6%, respectively.

Over the last five years, the Austin metro area has created more than 151,000 new jobs, an increase of over 18%. This growth has been shared by all levels of wage earners. During fiscal year 2014, Forbes listed the Austin area at or near the top of several lists: "Best Cities for Future Job Growth 2014"; "Cities Creating the Most Middle Class Jobs" (7.6% since 2007); "Blue Collar Hot Spots" (10% since 2010); and "Cities Creating the Most Tech Jobs" (over 41% 2001 – 2013). According to the Milken *2014 Best-Performing Cities* report, the Austin MSA is a technology center that benefits from "an employment multiplier of close to 5 (meaning one tech position generates four other jobs), among the highest of all sectors."

This growth is expected to continue through 2017 according to *America's Job Outlook* published by Careerbuilder and Economic Modeling Services, Inc. (EMSI). This report projects total job growth of 9.7% in the Austin metro area, well ahead of the national level of 4.4% for the period 2013 through 2017. In addition, high-wage jobs are expected to grow at a rate of 9.4%, the second highest level in the nation. The report states, "Austin's position as one of the strongest markets for high-wage job growth, and job growth overall, has been fueled by its diverse industry mix."

Economic Development - The City's economic development efforts have greatly contributed to job growth. In early 2014, City Council approved several economic incentive agreements which will result in 1,247 new full-time jobs. The combined economic impact of such agreements since the beginning of 2012 is over 6,700 direct jobs and $396 million in capital investment.

Over the next several years, a medical school will be constructed at the University of Texas at Austin. The University is partnering with the Seton Healthcare Family, who will build a teaching hospital, and Central Health (the Travis County Healthcare District), who will purchase services from the medical school for the population it serves. The plan is supported by a broad cross-section of the community, including the voters who approved a tax increase for Central Health to help fund these initiatives. In 2014, the first dean of the medical school was selected, long-term affiliation agreements between the parties were approved, and construction of both the Dell Medical School and the teaching hospital, Seton Medical Center at the University of Texas, was begun. The school is scheduled to accept its first class in 2016 and the hospital will open in 2017.

An economic analysis by TXP, Inc. estimates the economic impact of the medical school to be almost $1 billion in direct annual spending and 6,900 direct jobs. In December 2014, City Council directed the City Manager to explore creation of an innovation zone in the northeast quadrant of downtown to leverage the economic potential created by the medical school. Such zones have been successful economic engines in other major U.S. cities such as Seattle and Raleigh-Durham.

Tourism - The City continues to be a destination for both business and recreational activities. It is known around the world as the "Live Music Capital of the World," with over 250 live music venues. In March 2015, South by Southwest (SXSW) hosted its 29th annual festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies as well as, more recently, education and sustainability. According to an economic impact analysis prepared by Greyhill Advisors, SXSW was responsible for injecting more than $315 million into the Austin economy. In October 2013, the Austin City Limits Music Festival expanded to two weekends, increasing opportunities for attendance. As a result, the economic impact of that festival increased from $102 million in 2012 to $182 million in 2013.

During 2014 the Circuit Of The Americas™ (COTA) complex in southeast Austin, a state-of-the-art motorsports and entertainment venue, generated $897 million in economic impact to the Austin area according to Greyhill Advisors. The major event at this facility continues to be the United States Formula One™ Grand Prix race (F1), which drew a total attendance of over 237,000 in the fall of 2014. Other major events hosted at the facility throughout the year included MotoGP Grand Prix of the Americas, the ESPN X Games (year one of four), the Lone Star Le Mans and numerous national touring bands.

The growing local economy in the City relies on quality air service to foster business, government, and leisure travel. During 2014, the City's airport, ABIA, set a new record for annual traffic for the fourth consecutive year, a 7% increase over the previous year's record. In 2014 over 10.7 million passengers passed through ABIA, enjoying over 1,100 live music performances, 62 tons of brisket and 600,000 breakfast tacos. A milestone was reached in March 2015 when, for the second time, over a million passengers traveled through the airport in a single month. Air carriers continue to add direct flights to Austin: in May 2015 Southwest Airlines announced new non-stop service to Boston, MA and Seattle, WA beginning in the fall. In March 2014, British Airways offered the first transatlantic air service between London and Austin, facilitating connections with over 70 countries throughout Europe, Africa, the Middle East, and Asia. To accommodate this growth, ABIA is expanding the east terminal to provide up to a 30% increase in aircraft operational capacity. The lower level of this project was completed in December 2014 and includes a new Customs Facility, which more than doubles the capacity to process international arrivals.

Hotel motel tax revenues continue to grow and in 2014 were 15% greater than the previous year. High occupancy rates have spurred construction of new hotels across the Austin metro area. The greatest concentration is downtown where over 3,000 rooms are currently under construction or were recently completed by hoteliers such as JW Marriott, Fairmont, Westin, Kimpton, and several others.

Real Estate - All sectors of the real estate market are performing well. Austin area home sales for 2014 were up 2% over 2013 and set a record for annual single-family home sales. As of the end of December, the market featured 2.2 months of housing inventory, slightly higher than last year but below the levels considered to represent a balanced housing market. As a result, the median price for a single family home continues to rise, up about 8% over the previous year from $223,890 to $242,500. According to the National Association of Home Builders, despite housing price increases Austin has the second most affordable housing of the major Texas cities when median family income is factored into the equation.

Opinions about the City's real estate market are mixed. Both Fitch and Trulia.com believe that Austin's real estate market is overpriced by up to 20%. However, an analysis by Forbes Inc. and Local Market Monitor indicated Austin as the "Best Buy City", a place to invest in housing in 2015. The study indicated that in the Austin market, prices are slightly "overheated" but investment was "still a safe bet" given other economic factors. The City considers affordability a prime consideration when making decisions that impact its citizens and the businesses that operate here. Whether setting taxes or utility rates, taking actions that provide affordable housing, or providing services and programs to the underprivileged members of the community, affordability is always part of the discussion.

As the result of over 9,000 new apartments coming on the market in 2014, multifamily occupancy rates are near 94%, down from the 2013 high of 97%. With occupancy rates still strong, rents per square foot are at an all-time high. In June 2014 these rates were at $1.25, having risen over 3% in six months. The office market is also strong, with an average occupancy rate of over 91% at the end of 2014. The retail market ended 2014 with occupancy at almost 96%, the highest overall occupancy rate in a decade. According to *Emerging Trends in Real Estate 2015* co-published by PricewaterhouseCoopers US and the Urban Land Institute, the City will be one of the two top markets to watch in 2015 along with Houston. Among other things, those interviewed for this survey were attracted by Austin's appeal to the millennial generation, diverse employee base, and the lower cost of doing business here.

Sales Taxes - Sales tax revenue has shown positive growth over the past five fiscal years. Fiscal year 2014 experienced a robust 7.5% increase over fiscal year 2013, which was a 7.3 % increase over 2012.

Recognition - In addition to the rankings mentioned above, the City has ranked at the top of lists such as Jones Lang LaSalle, NerdWallet, WalletHub, and others in regards to career choice, recreation opportunities, income, and business opportunities:

#1 Small Business Vitality *WalletHub* – May 2014	#3 America's Coolest Cities 2014 *Forbes* – August 2014	#6 Top 10 U.S. Labor Markets *Career Builder & EMSI* – February 2015
#2 Best Cities for Millennials *Niche.com* – Spring 2014	#4 America's Most Creative Cities *Forbes* – July 2014	# 8 Best Run Cities in America *24/7 Wall St.* - January 2014
#2 Baby Boomtowns: The U.S. Cities Attracting the Most Families *Forbes* – September 2014	#3 Cities Stealing Jobs from Wall Street *Newgeography.com* – June 2014	#2 Best Large Cities for Women in the Workforce *NerdWallet.com* – June 2014
#7 World's 20 Most Dynamic Cities *City Momentum Index* *Jones Lang LaSalle* - January 2014	#1 Metro Areas with Most Economic Momentum Going Into 2014 *Forbes* – December 2013	#3 Top US Cities for Tech Acquisitions (since 2012) *CBInsights.com* – October 2014

Major Initiatives

The City's vision is to be the most livable city in the country. The following policy priorities were adopted in April 2007 by the City Council and amended in 2009:

- Rich Social and Cultural Community
- Vibrant Urban Fabric
- Healthy, Family-Friendly, Safe City
- Sustainable Economic Development and Financial Health

Best Managed City - To achieve the vision of making the City the most livable city in the country and to support City Council's policies and initiatives, the employees of the City – whether they be executives, managers, or front-line service providers – have the singular mission of making the City the best managed city in the country. This mission is implemented through transparent business practices, excellence in public service, innovative leadership, and providing services that are reliable, safe, efficient, and above national standards.

City staff is committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. PRIDE reflects the City's core values of public service and how employees relate to customers and each other. The elements of PRIDE include: **P**ublic Service & Engagement; **R**esponsibility & Accountability; **I**nnovation & Sustainability; **D**iversity & Inclusion; and **E**thics & Integrity.

Being "best managed" means everyone in the organization is providing the best service possible to the community. Reflecting the PRIDE that the City's employees take in their work, Austin ranks 26 percentage points above the national average for customer service and is at or above the national average in 34 of 46 of the City's benchmark indicators.

Imagine Austin - In 2012, after an extensive public process, the City Council unanimously voted to adopt Imagine Austin, the City's comprehensive plan for Austin's future. The plan defines where the City is today and where it wants to go, setting a context to guide decision-makers for the next 30 years. The resulting plan adheres to 6 core principles established by Austin citizens:

- Grow as a compact, connected city
- Integrate nature into the city
- Provide paths to prosperity for all
- Develop as an affordable and healthy community
- Sustainably manage water, energy, and other environmental resources
- Think creatively and work together

Implementing this vision will take many incremental steps over time. Cross-departmental and cross-jurisdictional action teams have been created for these areas and the 2015 budget and capital plan included funding to support these principles. Further, a number of the initiatives discussed below also directly support Imagine Austin. In 2014, the American Planning Association bestowed its first ever "Sustainable Plan Award" to the City in partnership with the plan consultants, Wallace, Roberts, and Todd, for Imagine Austin for showing exemplary scholarship, leadership, and inspiration in sustainability planning and implementation.

Development – In addition to its economic development efforts, the City has been committed to the redevelopment of a number of its downtown properties. Beginning with the development of six blocks in the warehouse district in the early 2000's, Austin's participation in joint public/private partnerships continues to contribute to a vibrant downtown and an enhanced tax base. Current downtown redevelopment focused in the Seaholm District includes:

- Construction of a new 198,000 square-foot central library. This "library for the future" will have advanced sustainable features and is expected to be completed in 2016;
- Extensive improvements to Shoal Creek in the Seaholm area to facilitate bicycle and pedestrian use;
- Construction of a $130 million mixed-used development that will involve renovation and reuse of the historical and architecturally-significant Seaholm power plant. As the result of one of the City's economic development agreements, the offices of athenahealth, Inc., a software company, moved into the renovated power plant in February 2015.
- Kick-off of the redevelopment of the Green Water Treatment Plant site with the sale and transfer of the first portion of the site to the development team who will construct a 38-floor mixed-use tower, including affordable living units. The first phase of this project also includes completion of the street grid in the district to enhance connectivity to Seaholm. Ultimately this pivotal waterfront project is slated to add 1.7 million square feet of mixed use development.

In 2015, the City will finalize construction of the Waller Creek Tunnel Project on the eastern edge of downtown. This mile-long stormwater bypass tunnel will address problems of flooding, erosion, and water pollution along lower Waller Creek. By taking nearly 28 acres of prime downtown land out of the 100-year floodplain, the project is expected to spur redevelopment and revitalization in the area. In addition, the City partnered with the Waller Creek Conservancy to create the Waller Creek District along the creek from the mouth of Lady Bird Lake north to the University of Texas. The Conservancy is at work implementing a number of amenities, including pedestrian and bicycle paths, interactive playscapes, and a restored native creek ecology.

Several miles from downtown, the City continues its public/private partnership to redevelop the site of the previous airport, Mueller. This 700 acre, vibrant, mixed-use urban village includes residential neighborhoods, retail and office space, extensive parks, and trails. The development, which is sustainable, transit-oriented, and which offers affordable housing opportunities, is more than one-third complete, and has a current assessed value of over $680 million. Demand for housing at Mueller has been high due to its proximity to downtown and many amenities. In addition to the homes being constructed, recent openings in the development include a new children's museum, an expansion of the Dell Children's Hospital, a market district, and the Austin Independent School District's performing arts center.

Transparency – The City's ongoing commitment to transparency of financial transactions and processes is exemplified by Austin Finance Online (AFO). Since its inception in 2011, AFO has been recognized by the Texas State Comptroller for achieving the highest standards in financial transparency online. After receiving the Gold Level Leadership Circle Award for four consecutive years, in January 2015 the City received the newly created Platinum Leadership Award. AFO provides a one-stop web-based portal containing an extensive library of budget and financial documents, an online contract catalog, payment register information, and other City financial information.

Innovation - In the summer of 2014, the City received recognition for its technological innovations in several of its geographic information systems (GIS) applications. The Environmental Systems Research Institute awarded the City with a Special Achievement in GIS award for its adoption of the ArcGIS Online configuration to help the City manage water resources while dealing with a major drought and rapid growth in the area. The City also received a 2014 Technology Solutions Award for significant achievement from the Public Technology Institute (PTI) for the Austin Infrastructure Management, Mapping, Planning and Coordination Tool, which provides key coordination of the mapping of infrastructure projects to identify possible conflicts and opportunities for collaboration, reducing the City's infrastructure repair and rehabilitation costs. PTI recognized the City for five different applications, including, among others, the Strategic Capital Investments Analysis tool and the MetroRapid Traffic Signal Priority project.

The City has also received recognition for its policies. In October, Austin was one of two cities that received the 2014 Robert C. Larson Housing Policy Leadership Award for exceptional public policy from the Urban Land Institute's Terwilliger Center for Housing. The award description states, "the City of Austin is tackling its affordable housing shortage through a variety of mechanisms…securing affordability for more than 18,000 units since focusing on this crucial issue."

Climate Protection - The City has long been a national leader in the climate protection arena through the efforts of City leaders, its City-owned electric utility (Austin Energy), and the participation of customers from residential to other governmental entities and private businesses. As a result of these efforts and partnerships, Austin Energy led all public power utilities in the country for sales of renewable energy in 2013. In 2012, the City became the first large city in America to power all of its City-owned buildings with 100% renewable energy, a goal set five years earlier. In January 2015, the EPA's Green Power Partnership program ranked the City third in the country among all local government program partners using the most renewable energy, and 15th among all participants, including some Fortune 500 companies. Austin Energy also received the EPA's 2014 Energy Star Partner of the Year Award for Sustained Excellence for outstanding contributions to energy efficiency for the tenth consecutive year.

In early 2014, with the approval of a contract to purchase 300 additional megawatts of wind power, Austin Energy is poised to achieve its 35% of renewable energy goal in 2016, four years ahead of schedule. The utility is now focusing on its solar power goals and has awarded a contract to a solar project developer to create a 150 megawatt solar facility that will be Texas' largest.

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing, implementing, and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Financial Policies

The City has adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. These policies dictate that current revenue will be sufficient to support current expenditures (defined as "structural balance"). Assigned and unassigned fund balances in excess of what is required shall normally be used to fund capital items in the operating and capital budgets. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the Austin community. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document.

Long-Term Financial Planning

The City's leaders look towards and plan for the future. The City's approach of balancing the budget by not relying on one-time solutions, while at the same time making key investments in the community, the infrastructure, the economy, the sustainability, and its employees is providing a 21st century "best-managed" model for cities all around the country. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a tool to develop the following year's operating budget. As directed by the financial policies, the City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. During 2014, the City completed its first Long-Range CIP Strategic Plan, which covers a 10-year planning horizon, improving the transparency of the City's long-term infrastructure plans. This plan further aligns the City's CIP investments with the Imagine Austin Comprehensive Plan as the City strives to strike a balance between ongoing capital needs necessary to maintain services for a growing community and strategic investments that support community priorities.

On November 5, 2013, voters approved $65 million in general obligation debt for affordable rental and ownership housing as well as preservation of existing affordable housing stock. The City is implementing projects authorized by this election as well projects authorized in the November 2012 election, when Austin voters approved a $307 million general obligation bond program that includes transportation and mobility projects, as well as projects for open space and watershed protection, parks and recreation, public safety, health and human services, and library, museum and cultural arts facilities. This bond program is being overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring efficiency, equity, timeliness, and accountability in the implementation of the program.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. Because of consistent adherence to our financial policies, the City's bond ratings for General Obligation bonds continue to receive the highest rating issued by each rating agency: Moody's (Aaa), Standard & Poor's (AAA) and Fitch (AAA). In November 2012, Austin Energy improved its Standard & Poor's credit rating from A+ to AA-, a reflection of a rate increase and the utility's diverse portfolio, as well as the City's robust economy.

Budgetary Control

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. Annual budgets are legally required for the General Fund, debt service funds, and certain special revenue funds. While not legally required, annual budgets are also adopted for the enterprise and internal service funds. Annual updates to the CIP budgets follow a similar process. Multi-year budgets are adopted for capital projects and grant funds.

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the City's 2014 Comprehensive Annual Financial Report ("CAFR"), the City continues to meet its responsibility for sound financial management.

Budgetary Information

The 2015 Budget was developed in a manner true to the City's commitment to openness, transparency, and public engagement. The City's Budget is organized around activities and services. The budget development process integrates the City's finances with business planning, performance measurement, and resident input, thereby elevating budget discussions to meaningful conversations about outcomes that impact our residents. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by the City's citizens, employees, and Councilmembers. The result was a budget built around the ideals of livability, affordability and inclusivity that dictate the operations of the City government and form the basis of the budget.

The structurally balanced fiscal year 2015 Approved Budget totals $3.5 billion and includes $854 million for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of the City. The 2015 budget was approved with a decrease to the property tax rate of more than 2 cents, from 50.27 to 48.09 cents per $100 of taxable value. The approved tax rate balances the tax impact to property owners with the need to invest in our community and continue providing the outstanding services Austinites have come to expect.

Included in the approved budget are a 3.5 % pay increases for non-sworn employees. Sworn EMS employees and Austin Police Association members will receive a base wage increase of 1% as well as step and longevity pay as established in labor contracts in 2013. The City does not have a current contract with the Austin Firefighters' Association but has included a budget placeholder for potential wage increases at the same levels as Police and EMS. The approved budget enhances public safety by adding 59 new police officers, 21 new 911 dispatcher positions, and 15 civilian positions to address forensics workload issues. Funding was provided to continue a multi-year strategy to better manage demands on service delivery resulting from the City's growth in recent years. Finally, the budget projects growth in General Fund reserves from their current level of 12% to 13.5% in 2015 to ensure the financial health of the municipal government.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 430,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2015 is $1.43 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources.

The City's second largest enterprise activity is Austin Water, which provides water and wastewater services to customers within Austin and surrounding areas. The fiscal year 2015 budget projects revenues of $530.6 million. Growth in revenue is the result of projected customer growth as well as a combined system-wide rate increase of 8.1%. The impact of this increase on customers is expected to be somewhat mitigated by lower average water consumption. In December 2014, the utility opened Water Treatment Plant 4. With a capacity of 50 million gallons per day, it provides redundancy in the water system and helps to sustain reliable water services into the future.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2013 CAFR. The City has received this award for 7 consecutive years. The certificate is valid for a period of one year only. City management believes that the 2014 CAFR conforms to the Certificate of Achievement Program requirements, and is submitting it to the GFOA for review.

The City also received the GFOA Distinguished Budget Presentation award for the 2014 budget as well as a 2013 Certificate of Excellence in Performance Measurement from the International City/County Management Association (ICMA).

Employment by Industry in the Austin Metropolitan Area (a)

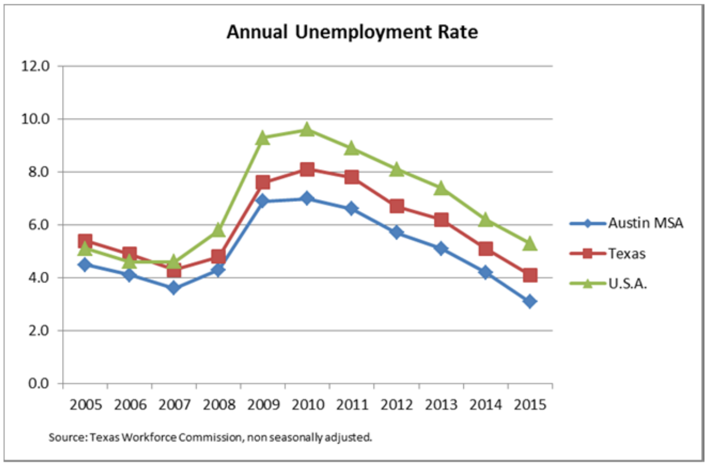
Employment Characteristics

Industrial Classification	2010	% of Total	2011	% of Total	2012	% of Total	2013	% of Total	2014	% of Total
Manufacturing	47,300	6.2%	49,500	6.5%	47,300	6.2%	51,200	6.0%	53,600	5.9%
Government	170,500	22.2%	167,900	22.1%	170,500	22.2%	164,100	19.3%	174,400	19.1%
Trade, warehousing, transportation & utilities	134,200	17.5%	152,500	20.1%	134,200	17.5%	151,500	17.8%	165,400	18.1%
Services and miscellaneous	333,200	43.5%	304,000	40.0%	333,200	43.5%	394,000	46.2%	420,300	46.1%
Finance, insurance and real estate	42,300	5.5%	43,900	5.8%	42,300	5.5%	45,400	5.3%	49,700	5.5%
Natural resources, mining & construction	39,000	5.1%	42,000	5.5%	39,000	5.1%	46,100	5.4%	48,200	5.3%
Total	766,500	100.00%	759,800	100.0%	766,500	100.00%	852,300	100.0%	911,600	100.00%

(a) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically; data contained in this document is the latest provided. Based on calendar year.

Source: Texas Labor Market Review, November 2014, Texas Workforce Commission.

Average Annual Unemployment Rate



	Austin MSA	Texas	U.S.A.
2005	4.5%	5.4%	5.1%
2006	4.1%	4.9%	4.6%
2007	3.6%	4.3%	4.6%
2008	4.3%	4.8%	5.8%
2009	6.9%	7.6%	9.3%
2010	7.0%	8.1%	9.6%
2011	6.6%	7.8%	8.9%
2012	5.7%	6.7%	8.1%
2013	5.1%	6.2%	7.4%
2014	4.2%	5.1%	6.2%
2015(1)	3.1%	4.1%	5.3%

Note: Information is updated periodically; data contained in this document is latest provided.
Source: Texas Labor Market Review, Texas Workforce Commission.
(1) As of May 2015.

City Sales Tax Collections (In Millions)

Period	Amount		Period	Amount		Period	Amount	Period	Amount	Period	Amount	Period	Amount
1-1-10	$10.215		1-1-11	$11.492		1-1-12	$12.189	1-1-13	$13.126	1-1-14	$15.123	1-1-15	15.260
2-1-10	15.921	(1)	2-1-11	16.149		2-1-12	16.923	2-1-13	18.079	2-1-14	19.112	2-1-15	21.092
3-1-10	10.736		3-1-11	11.117		3-1-12	11.762	3-1-13	13.324	3-1-14	13.782	3-1-15	14.677
4-1-10	10.290		4-1-11	10.312		4-1-12	11.838	4-1-13	12.727	4-1-14	13.803	4-1-15	14.345
5-1-10	14.145		5-1-11	14.022		5-1-12	15.239	5-1-13	15.962	5-1-14	17.750	5-1-15	19.404
6-1-10	11.533		6-1-11	11.941		6-1-12	12.949	6-1-13	12.869	6-1-14	15.581	6-1-15	15.958
7-1-10	11.569		7-1-11	11.924		7-1-12	13.168	7-1-13	14.699	7-1-14	14.723		
8-1-10	12.799		8-1-11	14.387		8-1-12	15.371	8-1-13	16.088	8-1-14	16.970		
9-1-10	11.427		9-1-11	11.307		9-1-12	14.220	9-1-13	14.119	9-1-14	15.385		
10-1-10	11.562		10-1-11	13.385	(2)	10-1-12	13.960	10-1-13	14.644	10-1-14	15.309		
11-1-10	13.347		11-1-11	13.873		11-1-12	14.570	11-1-13	16.187	11-1-14	17.734		
12-1-10	11.216		12-1-11	12.004		12-1-12	14.373	12-1-13	14.192	12-1-14	15.735		

(1) Collections for 2-1-10 reflect a $1.5 million one-time sales tax correction.
(2) Collections for 10-1-11 reflect an increase of $1,162,541 in future period and audit collection adjustments from the prior year. Sales taxes are not pledged to the payment of the Bonds.
Source: City of Austin, Budget Office.

Ten Largest Employers (As of September 30, 2014)

Employer	Product or Service	Employees
State Government	Government	37,816
The University of Texas at Austin	Education	24,610
Dell Computer Corporation	Computers	14,000
City of Austin	Government	12,782
Seton Healthcare Network	Healthcare	12,770
Austin Independent School District	Education	11,538
HEB Grocery	Grocery/Retail	11,277
Federal Government	Government	9,700
St. David's Healthcare Partnership	Healthcare	8,100
IBM Corporation	Computers	6,000

Source: 2014 Comprehensive Annual Financial Report.

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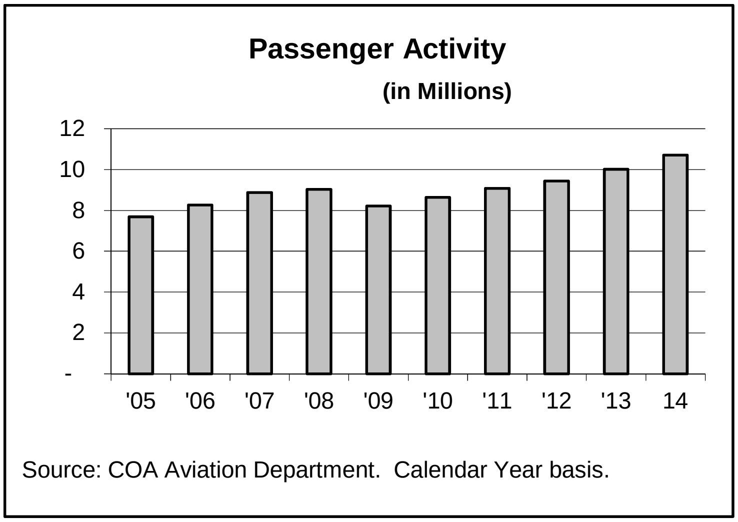
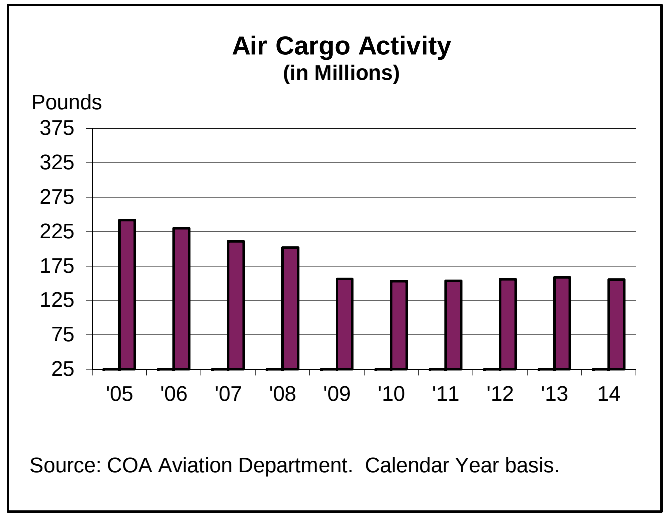
Transportation





Austin-Bergstrom International Airport

The City of Austin's Austin-Bergstrom International Airport ("ABIA"), which opened for passenger service on May 23, 1999 and replaced the Robert Mueller Municipal Airport as the City's commercial passenger service airport, is served by seven signatory airlines: American Airlines, Delta, Frontier, JetBlue, Southwest, United and US Airways. Non-stop service is available to 34 U.S. destinations. On March 3, 2014, British Airways began non-stop service to London Heathrow Airport.

On February 21, 2013, the City issued $143,770,000 of its Rental Car Special Facility Revenue Bonds, Taxable Series 2013, to finance a state-of-the-art rental car facility within walking distance of the Airport terminal. Ground breaking for the facility occurred in April 2013, construction is underway and completion of the facility is expected to occur in September 2015.

The City currently is undertaking a capital improvement program at ABIA to provide improvements such as terminal and apron expansion and improvements, parking improvements and other airfield improvements. The implementation of the capital improvement program is underway and is anticipated to be completed by the end of the 2018 fiscal year. The costs of the capital improvements will be funded from a number of sources, including federal grants, passenger facility charges, available airport revenues and bond proceeds. In January 2015, the City delivered its Airport System Revenue Bonds in the aggregate principal amount of $244,495,000 to fund construction of capital improvements to ABIA. The City anticipates issuing up to $150,000,000 in airport system revenue bonds in calendar year 2016 to fund construction of capital improvements at ABIA.

Other Forms of Transit

Rail facilities are furnished by Union Pacific and Longhorn Railway Company. Amtrak provides a stop for its passenger train traveling the Mexico City-Kansas City route. Bus service is provided by Greyhound and Kerrville Bus-Coach USA.

On January 19, 1985, the citizens of Austin and several surrounding areas approved the creation of a metropolitan transit authority ("Capital Metro") and adopted an additional one percent sales tax to finance a transit system for the area, which was later reduced to three quarters of a percent, effective April 1, 1989. On June 12, 1995, the Capital Metro board approved a one quarter percent increase in the sales tax, thus returning to one percent effective October 1, 1995.

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Demographic and Economic Statistics - Last Ten Years

Year	City of Austin Population (1)	Area of Incorporation (Square Miles) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Capita Personal Income MSA (2)	Unemployment Rate (MSA) (4)
2005	695,881	294	1,464,563	51,058,588	40,335	34,863	4.5%
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.2%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.7%
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.4%
2009	770,296	302	1,682,338	64,383,075	47,520	38,270	6.8%
2010	778,560	306	1,727,661	67,582,224	48,460	39,118	7.1%
2011	805,662	308	1,780,708	74,168,909	46,689	41,651	6.8%
2012	821,012	319	1,834,303	78,695,523	46,436	42,902	5.8%
2013	841,649	321	1,883,051	84,285,529	46,436	44,760	5.2%
2014	878,002	321	1,912,746 (6)	89,879,067 (5)	49,227	46,990 (5)	4.2%
2005-2014 Change	26.17%	9.34%	30.60%	76.03%	22.05%	34.78%	

Note: Prior year statistics are subject to change as more precise numbers become available.

(1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
(2) Source: Bureau of Economic Analysis for all years except 2014 which will not be available until after first quarter 2015.
(3) Source: Claritas, a Nielson Company.
(4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30.
(5) Data not available for 2014. Figures are estimated.
(6) Source: PFM CBK – CBSA 2014.

Connections and Permits

	Utility Connections			Building Permits		
Year	Electric	Water	Gas	Taxable	Federal, State and Municipal	Total
2004	369,458	188,441	203,966	1,280,385,298	20,533,975	1,300,919,273
2005	372,735	192,511	207,686	1,405,871,887	40,484,950	1,446,356,837
2006	380,696	197,511	213,009	2,353,171,746	16,526,040	2,369,697,786
2007	388,626	199,671	188,101	2,529,648,915	14,272,851	2,543,921,766
2008	396,791	206,695	198,718	1,468,699,801	4,099,000	1,472,798,801
2009	407,926	209,994	208,232	834,498,480	6,988,999	841,487,479
2010	419,355	210,901	204,823	1,413,989,503	4,252,978	1,418,242,481
2011	418,968	212,754	213,365	745,909,589	2,812,350	748,721,939
2012	412,552	214,971	217,170	1,088,133,995	23,788,268	1,111,922,263
2013	430,582	217,070	216,688	1,456,541,504	-	1,456,541,504

Source: Various including the City of Austin, Texas Gas Services, Atmos Energy and Centerpoint Energy.

Housing Units

Rental rates in the City averaged $1.26 per square foot, with an occupancy rate of 94% as of December 2014, per Capitol Market Research.

Residential Sales Data

Year	Number of Sales	Total Volume	Average Price
2004	22,567	$4,487,464,528	$198,900
2005	26,905	5,660,934,916	210,400
2006	30,284	6,961,725,607	229,900
2007	28,048	6,910,962,480	246,400
2008	22,440	5,470,518,171	243,800
2009	20,747	4,924,240,373	237,300
2010	19,872	4,906,445,110	246,900
2011	21,208	5,336,642,011	251,600
2012	25,521	6,789,371,785	266,000
2013	30,436	8,718,869,997	286,500
2014	30,921	9,446,362,668	305,500

Note: Information is updated periodically; data contained in this document is latest provided.
Source: Real Estate Center at Texas A&M University.

City-Wide Austin Office Occupancy Rate

Year	Occupancy Rate
2004	80.8%
2005	84.2%
2006	87.5%
2007	85.6%
2008	80.6%
2009	77.7%
2010	80.0%
2011	82.7%
2012	86.8%
2013	89.2%
2014	90.9%

Source: Oxford Commercial.

Education

The Austin Independent School District had an enrollment of 84,591 for the 2014/2015 school year. The District includes 129 campus buildings.

School Year	Average Daily Membership	Average Daily Attendance
2004/05	77,937	73,572
2005/06	79,500	74,860
2006/07	82,063	74,212
2007/08	82,739	74,622
2008/09	83,730	75,606
2009/10	84,996	76,658
2010/11	85,273	80,198
2011/12	86,724	79,087
2012/13	86,732	79,460
2013/14	85,363	77,928

Source: Austin Independent School District.

The following institutions of higher education are located in the City: The University of Texas, St. Edward's University, Huston Tillotson University, Concordia University of Texas, Austin Presbyterian Theological Seminary, Episcopal Theological Seminary of the Southwest and Austin Community College.

The University of Texas at Austin had a total enrollment of 51,313 for the fall semester of 2014 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Tourism

The impact of tourism on the City's economy is significant. There are approximately 32,000 hotel rooms available within the Austin Metropolitan Area and year-to-date occupancy through February 2015 is 69.9%.

Existing City convention and meeting facilities include a 881,000 square-foot Convention Center with 369,000 total square feet of exhibit and meeting space, which is supported by hotel/motel occupancy tax collections and revenues of the facility and the Lester E. Palmer Events Center with 70,000 square feet of exhibit space and 5,000 square feet of meeting space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center, the Austin Music Hall, and The Long Center for the Performing Arts. The Texas Exposition and Heritage Center offers a 6,000-seat arena and 20,000 square feet of banquet/exhibit hall facilities. The Long Center for the Performing Arts, a $77 million venue, opened in March 2008. The Center contains two theaters: the 2,400-seat Michael and Susan Dell Hall and the flexible 230-seat Debra and Kevin Rollins Studio Theater. This venue belongs to the City, while a private nonprofit entity operates the building. The Austin City Limits Live at The Moody Theater is a state-of-the-art, 2,700+ person capacity live music venue that also serves as the home of the KLRU-TV produced PBS program Austin City Limits, the longest running music series in American television history. The venue hosts approximately 100 concerts a year. In 2012, the Circuit of the Americas opened its 1,500-acre venue just outside downtown Austin, that is a premier destination for world-class motorsports and entertainment in the United States. The venue includes a 3.41 mile racetrack and the Austin360 Amphitheater, which is the largest permanent outdoor amphitheater in Central Texas. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium has a seating capacity of 100,119.

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APPENDIX B

Audited Financial Statements

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Deloitte.

Deloitte & Touche LLP
Suite 1700
400 West 15th Street
Austin, TX 78701
USA

Tel: 512 691 2300
Fax: 512 708 1035
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council,
City of Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of discretely presented component units which represents 100% percent of the assets and net position, and 99.8% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose reports, one of which (Austin Bergstrom Landhost Enterprises) contains an emphasis of matter paragraph related to a going concern issue, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, beginning net position was restated due to the City's implementation of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2014, which established accounting and financial reporting standards that reclassified, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis, the Retirement Plans – Trend Information, and the Other Post-Employment Benefits – Trend Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

March 24, 2015

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 67 and No. 70.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The assets of the City exceeded its liabilities at the end of the fiscal year 2014, resulting in $4.6 billion of net position. Net position associated with governmental activities is approximately $1.3 billion, or 28.2% of the total net position of the City. Net position associated with business-type activities is approximately $3.3 billion, or 71.8% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $3.8 billion, or 82.8% of total net position.

Unrestricted net position, which may be used to meet the City's future obligations, is $156 million, or 3.4% of the City's total net position. Unrestricted net position for governmental activities is a deficit of $431.3 million, while unrestricted net position for business-type activities is approximately $587.4 million, or 17.6% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the recognition of $435.3 million in other post employment benefit liabilities for governmental activities.

During fiscal year 2014, total net position for the City of Austin increased $99.7 million or 2.2%. Of this amount, governmental activities decreased $38.3 million, or 2.8% from the previous year and business-type activities increased $138 million, or 4.3% from the previous year.

Total revenues for the City increased $187.5 million; revenues for governmental activities increased $89.3 million; revenues for business-type activities increased $98.2 million. Total expenses for the City increased $172.7 million; expenses for governmental activities increased $41.8 million; expenses for business-type activities increased $131 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of three components:

- government-wide financial statements,
- fund financial statements, and
- notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

a -- Government-wide financial statements
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- 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 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 of Austin is improving or deteriorating.

- The ***Statement of Activities*** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; and urban growth management. The business-type activities include electric, water, wastewater, airport, convention, environmental and health services, public recreation, and urban growth management.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The government-wide financial statements include the City as well as blended component units: the Austin Housing Finance Corporation (AHFC), the Austin Industrial Development Corporation (AIDC), Mueller Local Government Corporation (MLGC), Austin-Bergstrom International Airport (ABIA) Development Corporation, and the Urban Renewal Agency (URA). The operations of AHFC, AIDC, MLGC, ABIA, and URA are included within the governmental activities of the government-wide financial statements. AHFC is reported as the Housing Assistance Fund. Although legally separate from the City, these component units are blended with the City because of their governance or financial relationships to the City.

The government-wide financial statements also include three discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), and Waller Creek Local Government Corporation (WCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in the notes to the financial statements, including how to get a copy of separately audited financial statements for ACE and ABLE. WCLGC activities are recorded in the City's financial system and city staff prepare the financial reports for this entity.

b -- Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary, and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These funds focus on current sources and uses of liquid resources and on the balances of available resources at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near term to finance the City's future obligations.

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level financial statements.

The City's General Fund is reported as a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. In addition, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds is provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin Energy™, Austin Water Utility, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.

- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center (CTECC); Employee Benefits; Fleet Maintenance; Information Systems; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

b -- Fund financial statements, continued

The nonmajor enterprise funds and the internal service funds are combined into separately aggregated presentations in the proprietary fund financial statements. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside City government. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting policies applied to fiduciary funds are much like those used for proprietary funds.

Comparison of government-wide and fund financial components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types/Other	Government-wide	Fund Financials
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital projects funds	Governmental	Governmental - Nonmajor
Permanent funds	Governmental	Governmental - Nonmajor
Internal service funds	Governmental	Proprietary
Governmental capital assets, including infrastructure assets	Governmental	Excluded
Governmental liabilities not expected to be liquidated with available expendable financial resources	Governmental	Excluded
Austin Energy	Business-type	Proprietary - Major
Austin Water Utility	Business-type	Proprietary - Major
Airport	Business-type	Proprietary - Major
Convention	Business-type	Proprietary – Nonmajor
Environmental and health services	Business-type	Proprietary – Nonmajor
Public recreation	Business-type	Proprietary – Nonmajor
Urban growth management	Business-type	Proprietary – Nonmajor
Fiduciary funds	Excluded	Fiduciary
Discrete component units	Discrete component units	Excluded

Basis of reporting -- The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c -- Notes to the financial statements

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

d -- Other information

The Required Supplementary Information (RSI) section immediately follows the basic financial statements and related notes section of this report. The City adopts an annual appropriated budget for the General Fund plus five separately budgeted activities, all of which comprise the General Fund for GAAP reporting. RSI provides a comparison of revenues, expenditures and other financing sources and uses to budget and demonstrates budgetary compliance. In addition, trend information related to the City's retirement and other post employment benefits plans is presented in RSI. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net position

The following table reflects a summary statement of net position compared to prior year (in thousands):

Condensed Statement of Net Position
as of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	$ 645,341	654,691	1,258,553	1,228,103	1,903,894	1,882,794
Capital assets	2,693,200	2,561,611	7,315,956	7,121,722	10,009,156	9,683,333
Other noncurrent assets	10,930	11,646	992,668	983,931	1,003,598	995,577
Total assets	3,349,471	3,227,948	9,567,177	9,333,756	12,916,648	12,561,704
Deferred outflows of resources	17,616	17,225	193,508	233,413	211,124	250,638
Current liabilities	321,500	311,752	481,782	506,193	803,282	817,945
Noncurrent liabilities	1,728,712	1,581,421	5,215,684	5,171,781	6,944,396	6,753,202
Total liabilities	2,050,212	1,893,173	5,697,466	5,677,974	7,747,678	7,571,147
Deferred inflows of resources	8,681	5,476	734,857	698,842	743,538	704,318
Net position:						
Net investment in capital assets	1,621,208	1,649,431	2,216,347	2,195,358	3,837,555	3,844,789
Restricted	118,335	103,246	524,653	535,490	642,988	638,736
Unrestricted (deficit)	(431,349)	(406,153)	587,362	459,505	156,013	53,352
Total net position	$ 1,308,194	1,346,524	3,328,362	3,190,353	4,636,556	4,536,877

In the current fiscal year, total assets increased $354.9 million and deferred outflows of the City decreased by $39.5 million. Total liabilities increased $176.5 million and deferred inflows increased by $39.2 million. Governmental-type total assets increased by $121.5 million and business-type increased by $233.4 million, while governmental-type liabilities increased by $157 million and business-type increased by $19.5 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of $131.6 million or 5.1% as the City continues to build out projects from the 2006, 2010, and 2012 bond programs. Factors in the increase of governmental-type liabilities include increases in the bonds payable of $93 million, related to the 2006 ($48.4 million), 2010 ($30 million), and 2012 ($35 million) bond programs along with other post employment benefits of $59.3 million.

The most significant factor in the increase of business-type total assets is a result of an increase in capital assets of $194.2 million or 2.7%. The primary factors in the increase in business-type total liabilities of $19.5 million include an increase in commercial paper notes payable of $47.5 million and a decrease in derivative instruments of $26.6 million as a result of adjustments to fair value.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $4.6 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, building, and equipment offset by related debt), which is $3.8 billion, or 82.8% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, $643 million of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, $156 million of unrestricted net position, may be used to meet the government's future obligations. Unrestricted net position increased $102.7 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for business-type activities. However, governmental activities report a deficit of $431.3 million for unrestricted net position.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net position

Condensed Statement of Changes in Net Position
September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Program revenues:						
Charges for services	$ 141,709	124,660	2,225,860	2,130,307	2,367,569	2,254,967
Operating grants and contributions	50,333	48,567	1,489	3,749	51,822	52,316
Capital grants and contributions	66,856	64,781	65,550	64,124	132,406	128,905
General revenues:						
Property tax	448,083	420,000	--	--	448,083	420,000
Sales tax	189,464	176,198	--	--	189,464	176,198
Franchise fees and gross receipts tax	128,032	114,147	--	--	128,032	114,147
Interest and other	21,275	23,888	5,717	2,269	26,992	26,157
Special item - land sale	15,830	--	--	--	15,830	--
Total revenues	1,061,582	972,241	2,298,616	2,200,449	3,360,198	3,172,690
Program expenses:						
General government	118,074	97,675	--	--	118,074	97,675
Public safety	576,118	580,074	--	--	576,118	580,074
Transportation, planning, and sustainability	83,971	78,594	--	--	83,971	78,594
Public health	80,796	73,186	--	--	80,796	73,186
Public recreation and culture	117,441	104,951	--	--	117,441	104,951
Urban growth management	136,110	137,478	--	--	136,110	137,478
Interest on debt	49,617	48,400	--	--	49,617	48,400
Electric	--	--	1,251,599	1,132,476	1,251,599	1,132,476
Water	--	--	240,838	231,774	240,838	231,774
Wastewater	--	--	213,156	214,580	213,156	214,580
Airport	--	--	108,291	107,389	108,291	107,389
Convention	--	--	58,763	62,884	58,763	62,884
Environmental and health services	--	--	92,997	81,544	92,997	81,544
Public recreation	--	--	6,765	7,185	6,765	7,185
Urban growth management	--	--	125,983	129,583	125,983	129,583
Total expenses	1,162,127	1,120,358	2,098,392	1,967,415	3,260,519	3,087,773
Excess (deficiency) before transfers	(100,545)	(148,117)	200,224	233,034	99,679	84,917
Transfers	62,215	87,761	(62,215)	(87,761)	--	--
Increase (decrease) in net position	(38,330)	(60,356)	138,009	145,273	99,679	84,917
Beginning net position, as previously reported	1,355,433	1,415,237	3,197,015	3,051,742	4,552,448	4,466,979
Restatement adjustment	(8,909)	552	(6,662)	--	(15,571)	552
Beginning net position, as restated	1,346,524	1,415,789	3,190,353	3,051,742	4,536,877	4,467,531
Ending net position	$ 1,308,194	1,355,433	3,328,362	3,197,015	4,636,556	4,552,448

Total net position of the City increased by $99.7 million in the current fiscal year. Governmental net position decreased by $38.3 million. The decrease is attributable to expenses exceeding revenues by $100.5 million before transfers from other funds of $62.2 million. Business-type net position increased by $138 million due to revenues exceeding expenses by $200.2 million, before transfers to other funds of $62.2 million.

In addition, the City restated beginning net position for governmental and business-type activities as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. For more information, see Note 18.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

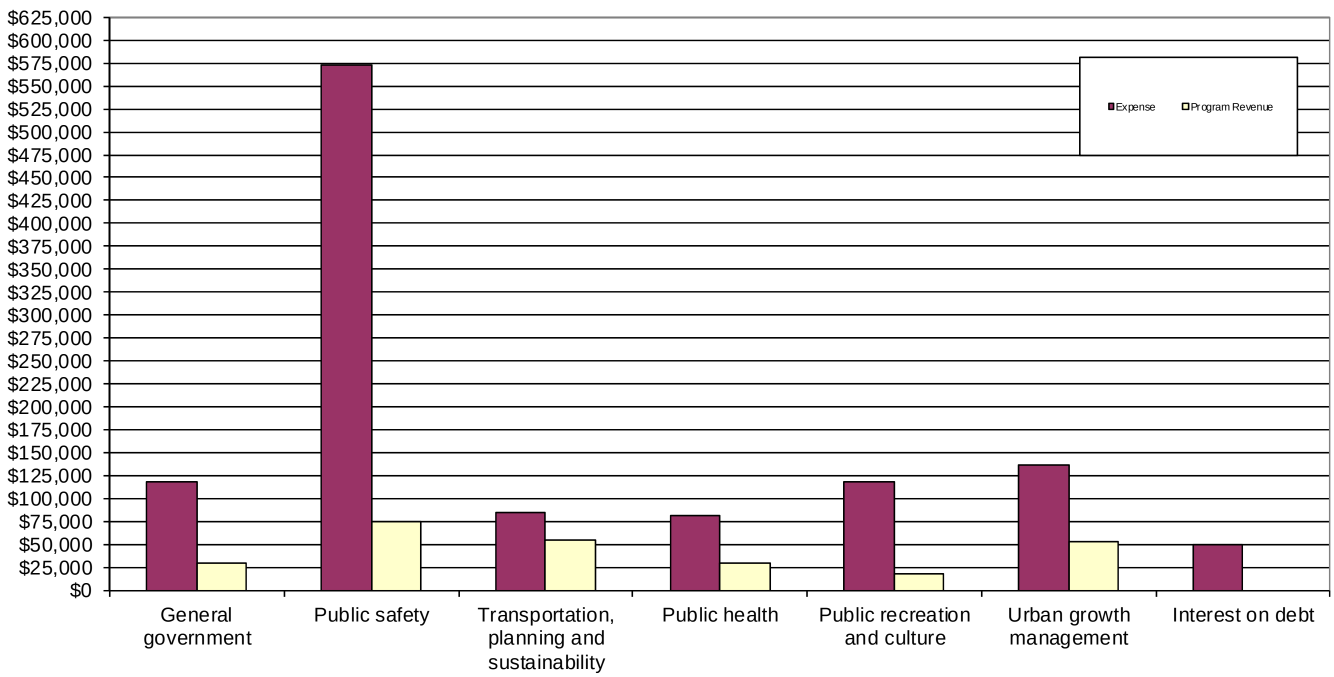
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net position by $38.3 million in fiscal year 2014, a 2.8% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2013 to 2014 are as follows:

- The City's property tax revenue increased by $28.1 million from the previous year due to an increase in assessed property values of $5.5 billion, while the property tax rate per $100 of valuation decreased from 0.5029 to 0.5027.
- Sales tax collections and franchise fees for the year were $13.3 million and $13.9, respectively, more than the prior year as result of the continued improvement of the Austin economy.
- The City sold a piece of land for $15.8 million, which is reported as a special item. See Note 1 for more details.
- General government expenses increased $20.4 million primarily due to increase in other post employment benefits and salaries. Public health expenses and public recreation and culture expenses increased $7.6 million and $12.5 million, respectively, primarily due to increases in salaries. This increase can be attributed to an additional 199 full time equivalents and a 3.5% general wage increase.

The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; and interest on debt.

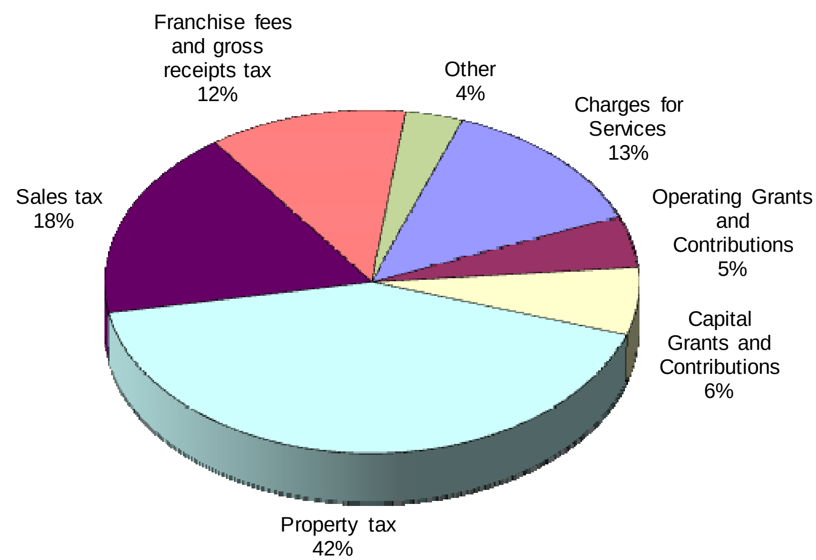
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

General revenues such as property taxes, sales taxes, and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of governmental revenues, followed by sales taxes and charges for goods and services.

Government-wide Revenues by Source -- Governmental Activities



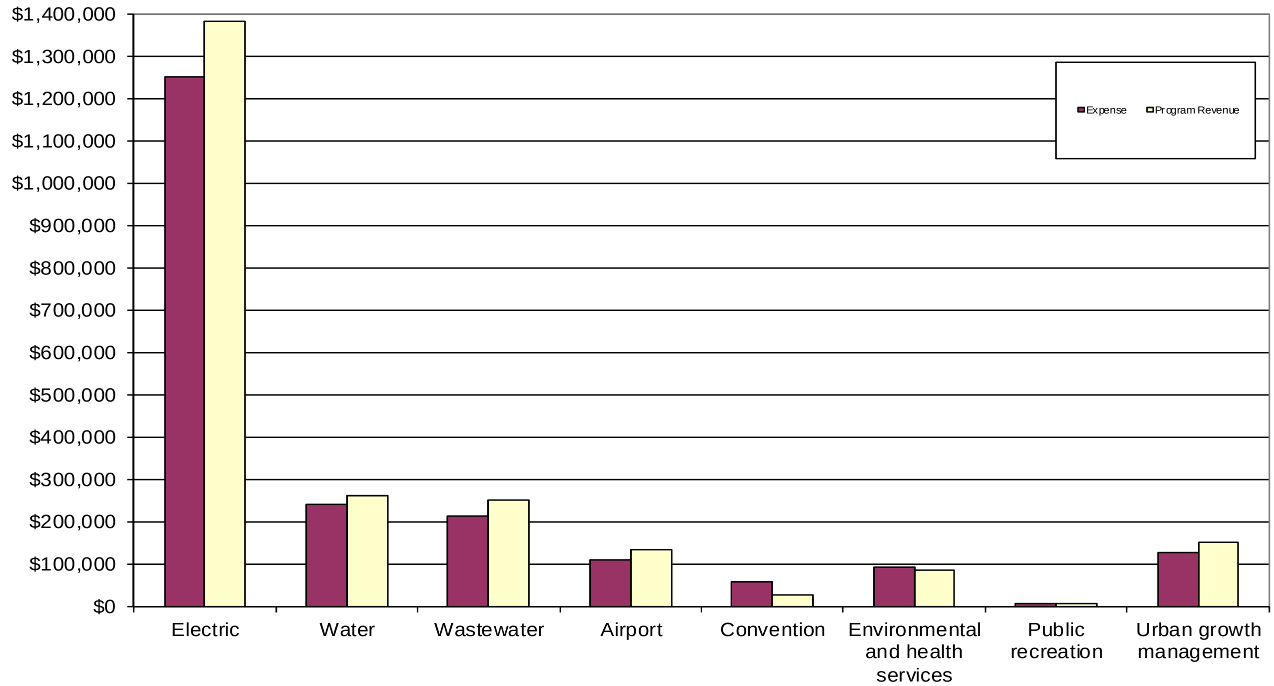
d -- Program revenues and expenses -- business-type activities
Business-type activities increased the City's net position by approximately $138 million, accounting for a 3% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately $19.6 million. Revenues increased by approximately 6% in fiscal year 2014 largely due to increases in regulatory revenue and power supply revenue. Expenses increased 10.5% largely due to an increase in transmission costs and power supply costs.
- Austin Water Utility net position increased approximately $27.9 million. Revenues remained relatively constant. Expenses increased by 1.7% due to increased operations and maintenance costs. Transfers from other funds increased $17.9 million.
- Airport net position increased approximately $25.3 million. Revenues increased 4.6% due to an increase in passenger traffic and higher rental and landing fees. Passenger traffic continues to break records with a 7% increase over the previous year. Expenses remained relatively constant.
- Convention Center net position increased approximately $23.8 million. Revenues and transfers from the Hotel Occupancy and Vehicle Rental Tax Funds increased 8.6% due in part to the growth of several large events, including the Formula 1 event and South by Southwest. Expenses decreased 6.6% due to decreases in operations and maintenance costs.
- Environmental and health services activities are comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately $7.6 million. Revenues increased by 2.1% due mainly to an increase in the Clean Community Fee of $0.65 per residential customer account and $1.30 per commercial customer account. Expenses increased by 14% due mainly to increase operations and support services costs.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net position increased by approximately $49.3 million. Drainage revenues increased by 5.1% primarily due to a 10% increase in the monthly Drainage Utility Fee. Drainage expenses remained relatively constant. Transportation revenues increased approximately 6.9% primarily due to an increase in population paying the Transportation User Fee. Transportation expenses remained relatively constant.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

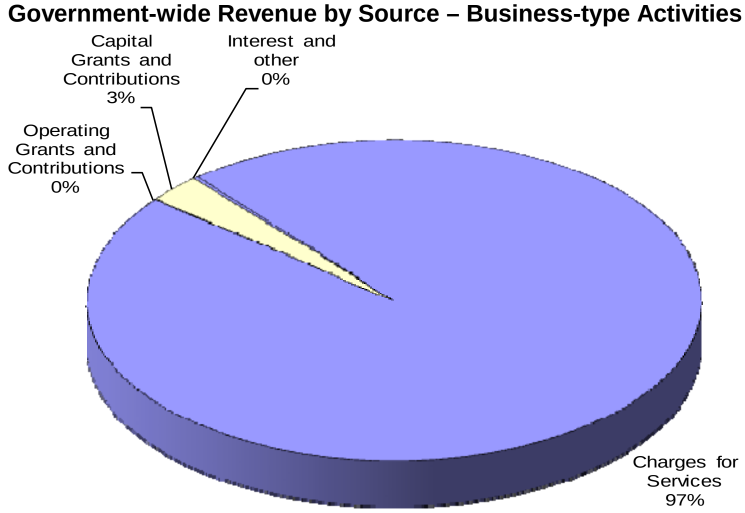
As shown in the following chart, Austin Energy (electric), with expenses of $1.3 billion is the City's largest business-type activity, followed by water with $240.8 million, wastewater with $213.2 million, urban growth management with $126 million, airport with $108.3 million, environmental and health services with $93 million, convention with $58.8 million, and public recreation with $6.8 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention, environmental and health services and public recreation.

Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



For all business-type activities, charges for services provide the largest percentage of revenues (96.8%), followed by capital grants and contributions (2.9%), operating grants and contributions (0.05%), and interest and other revenues (0.25%).

Government-wide Revenue by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a -- Governmental funds

The City reports the following types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of $367.6 million, an increase of $3.4 million from the previous year. Approximately $2 million is nonspendable, $162 million is restricted, $75.6 million is committed, $41.9 million is assigned, and $86.1 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of $1 million, committed fund balance of $9 million, assigned fund balance of $16.9 million, and unassigned fund balance of $156.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.4% of total General Fund expenditures of $807.2 million, and total fund balance represents 22.7% of expenditures. The City's financial policies provide that surplus fund balance be indentified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance identified for budget stabilization was $108.2 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund increased $36.4 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $22.9 million due to an increase in assessed property.
- Sales tax revenues increased $13.3 million, and licenses, permits, and inspections increased $5.1 million.
- Additionally, the City sold a piece of land for $15.8 million, which is reported as a special item. See Note 1 for more details.

General Fund expenditures increased $57.1 million, due primarily to an increase in public safety expenditures of $25.4 million, an increase in general government of $7 million, and an increase in urban growth management of $12.1 million. The increase is primarily due to increases in salaries and contractual expenditures.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by $138.6 million before consolidation of the internal service funds activities.

Factors that contributed to the increase in net position are discussed in the business-type activities section of the government-wide section.

OTHER INFORMATION

a -- General Fund budgetary highlights

The original revenue budget of the General Fund was amended during the fiscal year 2014 to increase Emergency Medical Services charges for services. The original expenditure budget of the General Fund was amended during fiscal year 2014 primarily as the result of increased Emergency Medical Services costs. In addition, the transfer from the General Fund to the Economic Incentives Reserve Fund was reduced.

During the year, revenues were $32.2 million more than budgeted. Tax collections were $13.2 million more than budgeted; licenses, permits and inspections were $8.5 million more than budgeted; and charges for services/goods were $5.1 million more than budgeted.

Actual budget-basis expenditures were $11.6 million less than budgeted. Fire exceeded budget by $89 thousand; while all other departments were under budget. The total budget-basis fund balance at year-end was $190.8 million.

OTHER INFORMATION, continued

b -- Capital assets
The City's capital assets for governmental and business-type activities as of September 30, 2014, total $10 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was $325 million (3.4%), with an increase of 5.1% for governmental activities and an increase of 2.7% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Building and improvements	$ 570	516	1,121	1,121	1,691	1,637
Plant and equipment	81	80	2,287	2,243	2,368	2,323
Vehicles	46	42	73	74	119	116
Electric plant	--	--	2,201	2,243	2,201	2,243
Non-electric plant	--	--	135	128	135	128
Nuclear fuel	--	--	40	40	40	40
Water rights	--	--	85	86	85	86
Infrastructure	1,384	1,331	--	--	1,384	1,331
Land and improvements	363	352	555	513	918	865
Construction in progress	226	219	794	649	1,020	868
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	23	22	2	2	25	24
Total net capital assets	$ 2,693	2,562	7,316	7,122	10,009	9,684

Major capital asset events during the current fiscal year include the following:

- Governmental capital assets increased $131 million primarily due to additions of new facilities and improvements to existing facilities. The Boardwalk Trail at Lady Bird Lake, drainage improvements to Williamson Creek, improvements to Bartholomew Pool and other general pool renovations, and the Onion Creek Fire Station were completed. Significant additions and improvements were also made including acquisitions of conservation easements, upgrades to City communication equipment, pedestrian facility improvements, and street reconstructions across the City. Construction on the new Central Library, Seaholm parking garage, and Waller Creek Tunnel has been progressing.
- Business-type activities purchased or completed construction on capital assets of $194 million. The increase was largely due to plant additions and improvements and land acquisition for Austin Energy, Austin Water, the Airport Fund, and the Drainage Fund. Austin Energy increased the chilled water capacity of the Downtown District Cooling system and upgraded the street light infrastructure throughout the City. Austin Water made improvements to the Jollyville Water Reservoir, completed the Davis Water Treatment Plant Pump Station, completed wastewater lines to the annexed Anderson Mill MUD area, made improvements to water transmission lines around the City, and construction is nearing completion on Water Treatment Plant 4. The Airport Fund invested in terminal improvements, roadways, and a new parking lot. The Drainage Fund acquired properties at risk of flooding in Onion Creek, made improvements to the low water crossing at David Moore Drive, and implemented a work order tracking and management system. In addition, the Golf Fund acquired the Grey Rock Golf Course.

OTHER INFORMATION, continued

c -- Debt administration
At the end of the current fiscal year, the City reported $5.9 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds and other tax supported debt, net	$ 1,196	1,103	136	132	1,332	1,235
Commercial paper notes, net	--	--	241	194	241	194
Revenue bonds, net	--	--	4,299	4,318	4,299	4,318
Capital lease obligations	--	--	1	1	1	1
Total	$ 1,196	1,103	4,677	4,645	5,873	5,748

During fiscal year 2014, the City's total outstanding debt increased by $125 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased by $93 million. The resulting net increase is a combination of the issuance of $180.2 million in new debt to be used primarily for street improvements, streets and signals, drainage improvements, capital equipment, transportation projects, and the Waller Creek Tunnel project offset by debt payments during the year.

- Outstanding debt for business-type functions increased by $32 million. The City issued $282.2 million in Water and Wastewater System separate lien and subordinate lien debt, $35.6 million in Airport prior lien revenue refunding bonds to refund prior lien debt, and $26.5 million of Convention Center subordinate lien revenue refunding bonds to refund prior lien debt.

During the year, Convention Center revenue bonds received favorable bond rating upgrades from Moody's Investors Service and Standard & Poor's from A1 to Aa3 and A to AA-, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated withp those obligations; commercial paper ratings were unchanged in the current fiscal year. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2014 and 2013 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch, Inc.	
	2014	2013	2014	2013	2014	2013
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-1	P-1	A-1	A-1	F1	F1
Commercial paper notes - taxable	P-1	P-1	A-1	A-1	F1	F1
Utility revenue bonds - prior lien	Aa1	Aa1	AA	AA	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	A1	A1	AA-	AA-	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	NUR(1)	NUR(1)	A	A	NUR(1)	NUR(1)
Convention Center revenue bonds	Aa3	A1	AA-	A	NUR(1)	NUR(1)
Convention Center revenue bonds - subordinate	A1	A1	A	A	NUR(1)	NUR(1)

(1) No underlying rating

<u>OTHER INFORMATION, continued</u>

d -- Economic factors and next year's budget and rates
Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals. Both the Austin and the Texas economies continue to outpace the national economy. Partnerships between the City and the business community have been the key to Austin's economic success. The City's economic development efforts have been successful in attracting new firms and new jobs to Austin. As a result, employment growth is steady and expected to continue well ahead of national levels through at least 2017. All sectors of the real estate market are performing well including the hotel market with a number of new rooms under construction to meet increased demand resulting from both business travel and tourism. In 2014 sales taxes increased 7.5% following an 7.3% increase in 2013. While the rate of sales tax collections may slow over the next few years, it is expected to remain positive barring any events at the national or international level that would have an adverse impact.

The City's 2015 budget was developed in a manner true to the City Manager's unwavering commitment to openness, transparency, and public engagement. Input from City Council, City employees, and citizens played a major role in the development of a variety of structural applications designed to positively affect our City's fiscal sustainability over the long term and present a balanced budget for City Council's review. The Austin City Council has adopted a comprehensive set of financial policies to provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the Council's priority of budget stability while at the same time maintaining affordability and investing in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings. City management continues to monitor the economy and take corrective actions to help mitigate any unfavorable economic events.

The assessed taxable property values within the City increased by 11.4% in 2014 for fiscal year 2015. The property tax rate for fiscal year 2015 is 48.09 cents per $100 valuation, down from 50.27 cents per $100 valuation in 2014. The tax rate consists of 36.91 cents for the General Fund and 11.18 cents for debt service. Each 1 cent of the 2014 (Fiscal Year 2015) property tax rate is equivalent to $9,885,904 of tax levy, as compared to $8,876,610 in the previous year. In Fiscal Year 2015, Austin Water Utility will implement an 8.1% combined system-wide rate increase.

e -- Requests for Information
This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: https://www.austintexas.gov.

BASIC FINANCIAL STATEMENTS

Austin
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(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	$ 70	62	132	5,160
Pooled investments and cash	356,659	327,065	683,724	--
Pooled investments and cash - restricted	138,831	291,003	429,834	--
Total pooled investments and cash	495,490	618,068	1,113,558	--
Investments, at fair value - restricted	16,984	175,550	192,534	--
Cash held by trustee - restricted	5,800	--	5,800	--
Working capital advances	--	4,602	4,602	--
Property taxes receivable, net of allowance of $5,245	11,576	--	11,576	--
Accounts receivable, net	93,240	269,553	362,793	1,765
Receivables from other governments	16,654	--	16,654	--
Receivables from other governments - restricted	--	3,944	3,944	--
Notes receivable, net of allowance of $14,458	21,687	--	21,687	--
Internal balances	(27,395)	27,395	--	--
Inventories, at cost	2,270	81,019	83,289	973
Real property held for resale	6,631	--	6,631	--
Regulatory assets, net of accumulated amortization	--	58,446	58,446	--
Prepaid expenses	351	6,851	7,202	698
Other receivables - restricted	--	2,803	2,803	--
Other assets	1,983	10,260	12,243	--
Total current assets	645,341	1,258,553	1,903,894	8,596
Noncurrent assets:				
Cash - restricted	--	5,011	5,011	645
Pooled investments and cash - restricted	--	168,020	168,020	--
Investments, at fair value - restricted	--	188,290	188,290	68,455
Investments held by trustee - restricted	--	207,481	207,481	3,161
Interest receivable - restricted	--	756	756	--
Depreciable capital assets, net	2,080,577	5,941,946	8,022,523	176,357
Nondepreciable capital assets	612,623	1,374,010	1,986,633	16,918
Derivative instruments - energy risk management	--	4,249	4,249	--
Net pension asset	9,383	--	9,383	--
Other long-term assets	1,547	4,743	6,290	6,247
Regulatory assets, net of accumulated amortization	--	414,118	414,118	--
Total noncurrent assets	2,704,130	8,308,624	11,012,754	271,783
Total assets	3,349,471	9,567,177	12,916,648	280,379
Deferred outflows of resources	$ 17,616	193,508	211,124	20,241

(†) After internal receivables and payables have been eliminated.

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	$ 59,071	79,072	138,143	9,575
Accounts and retainage payable from restricted assets	7,044	35,837	42,881	--
Accrued payroll	18,419	10,170	28,589	209
Accrued compensated absences	56,693	23,416	80,109	--
Claims payable	23,655	--	23,655	--
Accrued interest payable from restricted assets	--	75,876	75,876	15,488
Interest payable on other debt	6,773	806	7,579	--
Bonds payable	51,449	17,725	69,174	42,934
Bonds payable from restricted assets	17,191	176,366	193,557	--
Capital lease obligations payable	--	46	46	2
Customer and escrow deposits payable from restricted assets	58,990	42,926	101,916	--
Accrued landfill closure and postclosure costs	--	411	411	--
Other liabilities	22,215	9,121	31,336	--
Other liabilities payable from restricted assets	--	10,010	10,010	--
Total current liabilities	321,500	481,782	803,282	68,208
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	75,443	408	75,851	--
Claims payable	20,151	--	20,151	--
Capital appreciation bond interest payable	--	99,707	99,707	--
Commercial paper notes payable, net of discount	--	241,456	241,456	--
Bonds payable, net of discount and inclusive of premium	1,127,080	4,240,534	5,367,614	282,821
Pension obligation payable	64,750	61,871	126,621	--
Other post employment benefits payable	435,263	255,002	690,265	--
Capital lease obligations payable	--	1,089	1,089	--
Accrued landfill closure and postclosure costs	--	9,524	9,524	--
Decommissioning liability payable from restricted assets	--	174,398	174,398	--
Derivative instruments - energy risk management	--	30,502	30,502	--
Derivative instruments - interest rate swaps	--	59,935	59,935	--
Other liabilities	6,025	40,740	46,765	37
Other liabilities payable from restricted assets	--	518	518	--
Total noncurrent liabilities	1,728,712	5,215,684	6,944,396	282,858
Total liabilities	2,050,212	5,697,466	7,747,678	351,066
Deferred inflows of resources	8,681	734,857	743,538	--
NET POSITION				
Net investment in capital assets	1,621,208	2,216,347	3,837,555	(106,225)
Restricted for:				
Debt service	10,431	105,996	116,427	5,181
Strategic reserve	--	106,577	106,577	--
Capital projects	42,364	191,776	234,140	--
Renewal and replacement	--	11,020	11,020	--
Bond reserve	--	43,316	43,316	--
Passenger facility charges	--	50,317	50,317	--
Operating reserve	--	15,651	15,651	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,052	--	1,052	--
Housing activities	24,935	--	24,935	
Tourism	16,277	--	16,277	
Other purposes	23,275	--	23,275	--
Unrestricted (deficit)	(431,349)	587,362	156,013	50,598
Total net position	$ 1,308,194	3,328,362	4,636,556	(50,446)

(†) After internal receivables and payables have been eliminated.

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

(In thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Governmental activities								
General government	$ 118,074	17,890	256	11,004	(88,924)	--	(88,924)	--
Public safety	576,118	62,832	11,973	--	(501,313)	--	(501,313)	--
Transportation, planning, and sustainability	83,971	5,214	913	49,197	(28,647)	--	(28,647)	--
Public health	80,796	9,720	19,670	--	(51,406)	--	(51,406)	--
Public recreation and culture	117,441	8,205	2,546	6,482	(100,208)	--	(100,208)	--
Urban growth management	136,110	37,848	14,975	173	(83,114)	--	(83,114)	--
Interest on debt	49,617	--	--	--	(49,617)	--	(49,617)	--
Total governmental activities	1,162,127	141,709	50,333	66,856	(903,229)	--	(903,229)	--
Business-type activities								
Electric	1,251,599	1,367,155	855	13,030	--	129,441	129,441	--
Water	240,838	235,893	--	25,377	--	20,432	20,432	--
Wastewater	213,156	236,700	--	12,864	--	36,408	36,408	--
Airport	108,291	128,766	634	4,808	--	25,917	25,917	--
Convention	58,763	25,087	--	51	--	(33,625)	(33,625)	--
Environmental and health services	92,997	84,655	--	152	--	(8,190)	(8,190)	--
Public recreation	6,765	5,849	--	777	--	(139)	(139)	--
Urban growth management	125,983	141,755	--	8,491	--	24,263	24,263	--
Total business-type activities	2,098,392	2,225,860	1,489	65,550	--	194,507	194,507	--
Total primary government	$ 3,260,519	2,367,569	51,822	132,406	(903,229)	194,507	(708,722)	--
Component Units	80,446	88,412	150	--	--	--	--	8,116
General revenues:								
Property tax					448,083	--	448,083	--
Sales tax					189,464	--	189,464	--
Franchise fees and gross receipts tax					128,032	--	128,032	--
Interest and other					21,275	5,717	26,992	164
Special item - land sale					15,830	--	15,830	--
Transfers-internal activities					62,215	(62,215)	--	--
Total general revenues and transfers					864,899	(56,498)	808,401	164
Change in net position					(38,330)	138,009	99,679	8,280
Beginning net position, as restated (Note 18)					1,346,524	3,190,353	4,536,877	(58,726)
Ending net position					$ 1,308,194	3,328,362	4,636,556	(50,446)

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

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(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 58	--	58
Pooled investments and cash	180,969	181,362	362,331
Investments, at fair value	--	16,984	16,984
Cash held by trustee - restricted	--	4,349	4,349
Property taxes receivable, net of allowance	7,749	3,827	11,576
Accounts receivable, net of allowance	59,262	30,513	89,775
Receivables from other governments	--	16,654	16,654
Notes receivable, net of allowance	--	21,687	21,687
Due from other funds	227	81,290	81,517
Advances to other funds	--	2,249	2,249
Inventories, at cost	777	--	777
Real property held for resale	--	6,631	6,631
Prepaid items	173	--	173
Other assets	208	1,775	1,983
Total assets	249,423	367,321	616,744
LIABILITIES, DEFERRED OUTLFOWS OF RESOURCES, AND FUND BALANCES			
Accounts payable	23,751	22,052	45,803
Accrued payroll	14,768	73	14,841
Accrued compensated absences	549	--	549
Due to other funds	253	81,468	81,721
Unearned revenue	--	5,092	5,092
Advances from other funds	1,257	999	2,256
Deposits and other liabilities	7,193	63,873	71,066
Total liabilities	47,771	173,557	221,328
Deferred inflows of resources	18,156	9,665	27,821
Fund balances			
Nonspendable:			
Inventories and prepaid items	950	--	950
Permanent funds	--	1,052	1,052
Restricted	--	162,000	162,000
Committed	9,028	66,533	75,561
Assigned	16,859	25,095	41,954
Unassigned	156,659	(70,581)	86,078
Total fund balances	183,496	184,099	367,595
Total liabilities, deferred inflows of resources, and fund balances	$ 249,423	367,321	616,744

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

(In thousands)

Total fund balances - Governmental funds		$	367,595
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Governmental capital assets	4,058,495		
Less: accumulated depreciation	(1,427,724)		
			2,630,771
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.			
Net pension asset	9,383		
Other assets	1,547		
			10,930
Deferred outflows represent the consumption of net assets that are applicable to a future reporting period.			
Gain/loss on debt refundings, net	17,486		
			17,486
Long-term liabilities are not payable in the current period and are not reported in the funds.			
Compensated absences	(122,790)		
Interest payable	(6,760)		
Bonds and other tax supported debt payable, net	(1,192,178)		
Pension obligation payable	(64,750)		
Other post employment benefits payable	(435,263)		
Other liabilities	(9,065)		
			(1,830,806)
Deferred inflows is an acquisition of net assets that is applicable to a future reporting period.			
Unavailable revenue			
Property taxes and interest	11,441		
Accounts and other taxes receivable	9,474		
Service concession arrangements	(1,607)		
			19,308
Internal service funds are used by management to charge the costs of capital project management, combined emergency communication center, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds.			
Certain assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.			92,910
Total net position - Governmental activities		$	1,308,194

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

Governmental Funds | **City of Austin, Texas**
Statement of Revenues, Expenditures, and Changes in Fund Balances | **Exhibit B-2**
For the year ended September 30, 2014
(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 338,319	108,557	446,876
Sales taxes	189,464	--	189,464
Franchise fees and other taxes	46,762	81,270	128,032
Fines, forfeitures and penalties	17,130	5,390	22,520
Licenses, permits and inspections	33,719	--	33,719
Charges for services/goods	57,974	14,950	72,924
Intergovernmental	--	79,407	79,407
Property owners' participation and contributions	--	12,718	12,718
Interest and other	9,335	12,058	21,393
Total revenues	692,703	314,350	1,007,053
EXPENDITURES			
Current:			
General government	88,865	2,803	91,668
Public safety	515,437	13,233	528,670
Transportation, planning and sustainability	249	13,804	14,053
Public health	54,608	19,702	74,310
Public recreation and culture	90,441	9,339	99,780
Urban growth management	57,636	49,079	106,715
Debt service:			
Principal	--	69,768	69,768
Interest	--	49,367	49,367
Fees and commissions	--	6	6
Capital outlay-capital project funds	--	257,420	257,420
Total expenditures	807,236	484,521	1,291,757
Deficiency of revenues over expenditures	(114,533)	(170,171)	(284,704)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	154,444	154,444
Issuance of refunding bonds	--	107,923	107,923
Bond premiums	--	16,212	16,212
Payment to refunding bond escrow agent	--	(113,836)	(113,836)
Transfers in	162,622	59,246	221,868
Transfers out	(27,515)	(86,870)	(114,385)
Total other financing sources (uses)	135,107	137,119	272,226
Net change in fund balances, before special items	20,574	(33,052)	(12,478)
Special item - land sale (See Note 1)	15,830	--	15,830
Net change in fund balances	36,404	(33,052)	3,352
Fund balances at beginning of year	147,092	217,151	364,243
Fund balances at end of year	$ 183,496	184,099	367,595

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

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2014
(In thousands)

Net change in fund balances - Governmental funds		$ 3,352
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	228,416	
Depreciation expense	(105,047)	
Loss on disposal of capital assets	(496)	
		122,873
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		
Property taxes	1,207	
Charges for services	(697)	
Interest and other	(1,032)	
Capital assets contribution	33,844	
		33,322
The issuance of long-term debt (e.g., bonds, leases) 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. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	(164,743)	
Principal repayment on long-term debt	69,768	
Issuance of refunding bonds	(107,923)	
Refunding bond premiums	(5,913)	
Payment to refunding bond escrow agent	113,836	
		(94,975)
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.		
Compensated absences	(3,829)	
Pension obligation	(640)	
Other post employment benefits	(59,307)	
Interest and other	(31,209)	
		(94,985)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		(7,917)
Change in net position - Governmental activities		$ (38,330)

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

Proprietary Funds
Statement of Net Position
September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
ASSETS			
Current assets:			
Cash	$ 20	5	4
Pooled investments and cash	150,780	21,827	7,885
Pooled investments and cash - restricted	103,607	96,206	24,754
Total pooled investments and cash	254,387	118,033	32,639
Investments, at fair value - restricted	56,217	90,175	18,583
Cash held by trustee - restricted	--	--	--
Working capital advances	4,602	--	--
Accounts receivable, net of allowance	177,427	66,536	3,792
Receivables from other governments-restricted	3,944	--	--
Due from other funds	687	301	--
Inventories, at cost	74,429	1,925	1,733
Regulatory assets, net of accumulated amortization	46,957	11,489	--
Prepaid expenses	6,788	17	--
Other receivables - restricted	2,190	19	300
Other assets	10,260	--	--
Total current assets	637,908	288,500	57,051
Noncurrent assets:			
Cash - restricted	5,011	--	--
Pooled investments and cash - restricted	--	--	168,020
Advances to other funds	19,833	3,006	--
Advances to other funds - restricted	--	--	58
Investments, at fair value - restricted	116,565	58,421	--
Investments held by trustee - restricted	196,654	10,827	--
Interest receivable - restricted	756	--	--
Depreciable capital assets, net	2,384,217	2,685,785	501,303
Nondepreciable capital assets	203,240	807,959	147,872
Derivative instruments - energy risk management	4,249	--	--
Other long-term assets	4,743	--	--
Regulatory assets, net of accumulated amortization	228,638	185,480	--
Total noncurrent assets	3,163,906	3,751,478	817,253
Total assets	3,801,814	4,039,978	874,304
Deferred outflows of resources	$ 54,421	71,579	41,782

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	**Total**	
ASSETS			
Current assets:			
Cash	33	62	12
Pooled investments and cash	146,573	327,065	132,617
Pooled investments and cash - restricted	66,436	291,003	542
Total pooled investments and cash	213,009	618,068	133,159
Investments, at fair value - restricted	10,575	175,550	--
Cash held by trustee - restricted	--	--	1,451
Working capital advances	--	4,602	--
Accounts receivable, net of allowance	21,798	269,553	3,465
Receivables from other governments-restricted	--	3,944	--
Due from other funds	8,777	9,765	11
Inventories, at cost	2,932	81,019	1,493
Regulatory assets, net of accumulated amortization	--	58,446	--
Prepaid expenses	46	6,851	178
Other receivables - restricted	294	2,803	--
Other assets	--	10,260	--
Total current assets	257,464	1,240,923	139,769
Noncurrent assets:			
Cash - restricted	--	5,011	--
Pooled investments and cash - restricted	--	168,020	--
Advances to other funds	--	22,839	115
Advances to other funds - restricted	588	646	--
Investments, at fair value - restricted	13,304	188,290	--
Investments held by trustee - restricted	--	207,481	--
Interest receivable - restricted	--	756	--
Depreciable capital assets, net	370,641	5,941,946	61,923
Nondepreciable capital assets	214,939	1,374,010	506
Derivative instruments - energy risk management	--	4,249	--
Other long-term assets	--	4,743	--
Regulatory assets, net of accumulated amortization	--	414,118	--
Total noncurrent assets	599,472	8,332,109	62,544
Total assets	856,936	9,573,032	202,313
Deferred outflows of resources	25,726	193,508	130

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 66,991	4,498	1,787
Accounts and retainage payable from restricted assets	8,529	17,672	5,334
Accrued payroll	4,353	2,210	671
Accrued compensated absences	10,067	5,415	1,756
Claims payable	--	--	--
Due to other funds	--	--	149
Accrued interest payable from restricted assets	23,584	49,327	1,468
Interest payable on other debt	3	21	--
Bonds payable	--	--	29
Bonds payable from restricted assets	48,053	100,702	16,681
Capital lease obligations payable	46	--	--
Customer and escrow deposits payable from restricted assets	27,295	10,008	779
Accrued landfill closure and postclosure costs	--	--	--
Other liabilities	4,666	3,126	1,329
Other liabilities payable from restricted assets	8,138	--	--
Total current liabilities	201,725	192,979	29,983
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	14	--	60
Claims payable	--	--	--
Advances from other funds	--	1,879	972
Advances from other funds payable from restricted assets	--	17,028	--
Capital appreciation bond interest payable	7,817	91,890	--
Commercial paper notes payable, net of discount	166,456	75,000	--
Bonds payable, net of discount and inclusive of premium	1,205,019	2,466,238	293,437
Pension obligation payable	27,630	14,058	4,249
Other post employment benefits payable	104,347	63,946	17,209
Capital lease obligations payable	1,089	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	174,398	--	--
Derivative instruments - energy risk management	30,502	--	--
Derivative instruments - interest rate swaps	--	15,027	32,514
Other liabilities	37,831	--	--
Other liabilities payable from restricted assets	--	--	12
Total noncurrent liabilities	1,755,103	2,745,066	348,453
Total liabilities	1,956,828	2,938,045	378,436
Deferred inflows of resources	$ 217,049	517,436	--

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

	Business-Type Activities Nonmajor Enterprise Funds	Business-Type Activities Total	Governmental Activities- Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	5,796	79,072	20,312
Accounts and retainage payable from restricted assets	4,302	35,837	--
Accrued payroll	2,936	10,170	3,578
Accrued compensated absences	6,178	23,416	8,251
Claims payable	--	--	23,655
Due to other funds	9,410	9,559	13
Accrued interest payable from restricted assets	1,497	75,876	--
Interest payable on other debt	782	806	13
Bonds payable	17,696	17,725	352
Bonds payable from restricted assets	10,930	176,366	--
Capital lease obligations payable	--	46	--
Customer and escrow deposits payable from restricted assets	4,844	42,926	--
Accrued landfill closure and postclosure costs	411	411	--
Other liabilities	--	9,121	2,007
Other liabilities payable from restricted assets	1,872	10,010	--
Total current liabilities	66,654	491,341	58,181
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	334	408	546
Claims payable	--	--	20,151
Advances from other funds	3,712	6,563	2
Advances from other funds payable from restricted assets	--	17,028	--
Capital appreciation bond interest payable	--	99,707	--
Commercial paper notes payable, net of discount	--	241,456	--
Bonds payable, net of discount and inclusive of premium	275,840	4,240,534	3,190
Pension obligation payable	15,934	61,871	--
Other post employment benefits payable	69,500	255,002	--
Capital lease obligations payable	--	1,089	--
Accrued landfill closure and postclosure costs	9,524	9,524	--
Decommissioning liability payable from restricted assets	--	174,398	--
Derivative instruments - energy risk management	--	30,502	--
Derivative instruments - interest rate swaps	12,394	59,935	--
Other liabilities	2,909	40,740	--
Other liabilities payable from restricted assets	506	518	--
Total noncurrent liabilities	390,653	5,239,275	23,889
Total liabilities	457,307	5,730,616	82,070
Deferred inflows of resources	372	734,857	168

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
NET POSITION			
Net investment in capital assets	$ 1,057,719	460,821	379,749
Restricted for:			
Debt service	32,633	40,848	16,205
Strategic reserve	106,577	--	--
Capital projects	78,529	17,180	72,876
Renewal and replacement	64	--	10,000
Bond reserve	9,988	20,584	2,434
Passenger facility charges	--	--	50,317
Operating reserve	--	--	11,334
Unrestricted	396,848	116,643	(5,265)
Total net position	$ 1,682,358	656,076	537,650
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	13,172	6,842	2,583
Total net position - Business-type activities	$ 1,695,530	662,918	540,233

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
NET POSITION			
Net investment in capital assets	318,058	2,216,347	58,887
Restricted for:			
Debt service	16,310	105,996	--
Strategic reserve	--	106,577	--
Capital projects	23,191	191,776	542
Renewal and replacement	956	11,020	--
Bond reserve	10,310	43,316	--
Passenger facility charges	--	50,317	--
Operating reserve	4,317	15,651	--
Unrestricted	51,841	560,067	60,776
Total net position	424,983	3,301,067	120,205
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	4,698	27,295	
Total net position - Business-type activities	429,681	3,328,362	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
OPERATING REVENUES			
Utility services	$ 1,367,155	472,593	--
User fees and rentals	--	--	108,960
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,367,155	472,593	108,960
OPERATING EXPENSES			
Operating expenses before depreciation	1,039,830	226,349	76,042
Depreciation and amortization	152,450	103,443	21,151
Total operating expenses	1,192,280	329,792	97,193
Operating income (loss)	174,875	142,801	11,767
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	5,191	82	221
Interest on revenue bonds and other debt	(63,288)	(112,214)	(11,794)
Interest capitalized during construction	--	--	1,409
Passenger facility charges	--	--	19,806
Cost (recovered) to be recovered in future years	(5,551)	(13,903)	--
Other nonoperating revenue (expense)	9,483	(1,273)	(312)
Total nonoperating revenues (expenses)	(54,165)	(127,308)	9,330
Income (loss) before contributions and transfers	120,710	15,493	21,097
Capital contributions	13,030	38,241	4,808
Transfers in	1,979	17,980	3
Transfers out	(116,835)	(44,122)	(793)
Change in net position	18,884	27,592	25,115
Total net position - beginning, as restated (See Note 18)	1,663,474	628,484	512,535
Total net position - ending	$ 1,682,358	656,076	537,650
Reconciliation to government-wide Statement of Activities			
Change in net position	18,884	27,592	25,115
Adjustment to consolidate internal service activities	727	356	233
Change in net position - Business-type activities	$ 19,611	27,948	25,348

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

	Business-Type Activities Nonmajor Enterprise Funds	Business-Type Activities Total	Governmental Activities-Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,839,748	--
User fees and rentals	257,373	366,333	--
Billings to departments	--	--	363,335
Employee contributions	--	--	34,654
Operating revenues from other governments	--	--	5,598
Other operating revenues	--	--	7,645
Total operating revenues	257,373	2,206,081	411,232
OPERATING EXPENSES			
Operating expenses before depreciation	245,735	1,587,956	388,866
Depreciation and amortization	27,190	304,234	10,953
Total operating expenses	272,925	1,892,190	399,819
Operating income (loss)	(15,552)	313,891	11,413
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	223	5,717	(19)
Interest on revenue bonds and other debt	(10,186)	(197,482)	(250)
Interest capitalized during construction	1,415	2,824	--
Passenger facility charges	--	19,806	--
Cost (recovered) to be recovered in future years	--	(19,454)	--
Other nonoperating revenue (expense)	(1,269)	6,629	(13,571)
Total nonoperating revenues (expenses)	(9,817)	(181,960)	(13,840)
Income (loss) before contributions and transfers	(25,369)	131,931	(2,427)
Capital contributions	41,336	97,415	10,656
Transfers in	63,031	82,993	5,393
Transfers out	(12,031)	(173,781)	(22,088)
Change in net position	66,967	138,558	(8,466)
Total net position - beginning, as restated (See Note 18)	358,016	3,162,509	128,671
Total net position - ending	424,983	3,301,067	120,205
Reconciliation to government-wide Statement of Activities			
Change in net position	66,967	138,558	
Adjustment to consolidate internal service activities	(1,865)	(549)	
Change in net position - Business-type activities	65,102	138,009	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,410,947	479,384	111,508
Cash payments to suppliers for goods and services	(827,182)	(124,773)	(44,917)
Cash payments to employees for services	(169,285)	(93,143)	(28,844)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(42,140)	--	--
Net cash provided by operating activities	372,340	261,468	37,747
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	1,979	14,300	--
Transfers out	(116,771)	(43,876)	(447)
Contributions (to) from other funds	--	(448)	--
Loans to other funds	--	--	--
Loans from other funds	--	--	4
Loan repayments to other funds	--	(505)	(146)
Loan repayments from other funds	883	301	6
Collections from other governments	3,200	1,768	782
Net cash provided (used) by noncapital financing activities	(110,709)	(28,460)	199
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	77,915	169,550	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	2,942	--
Proceeds from long-term loans	2,593	--	--
Principal paid on long-term debt	(83,334)	(102,571)	(15,638)
Proceeds from the sale of capital assets	--	--	10
Interest paid on revenue bonds and other debt	(60,317)	(106,126)	(11,308)
Passenger facility charges	--	--	19,806
Acquisition and construction of capital assets	(160,167)	(207,361)	(48,815)
Contributions from state and federal governments	--	214	2,008
Contributions in aid of construction	14,555	14,002	2,800
Bond issuance costs	--	(2,052)	(151)
Bond premiums	--	39,889	--
Bonds issued for advanced refundings of debt	502	279,789	34,757
Cash paid for bond refunding escrow	(482)	(118,157)	(34,754)
Cash paid to payoff commercial paper	--	(200,000)	--
Cash paid for nuclear fuel inventory	(14,755)	--	--
Net cash (used) by capital and related financing activities	$ (223,490)	(229,881)	(51,285)

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	261,515	2,263,354	410,536
Cash payments to suppliers for goods and services	(118,518)	(1,115,390)	(61,185)
Cash payments to employees for services	(120,457)	(411,729)	(143,494)
Cash payments to claimants/beneficiaries	--	--	(179,506)
Taxes collected and remitted to other governments	--	(42,140)	--
Net cash provided by operating activities	22,540	694,095	26,351
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	61,938	78,217	2,850
Transfers out	(8,364)	(169,458)	(19,092)
Contributions (to) from other funds	529	81	--
Loans to other funds	(8,490)	(8,490)	--
Loans from other funds	8,665	8,669	--
Loan repayments to other funds	(636)	(1,287)	(152)
Loan repayments from other funds	146	1,336	--
Collections from other governments	90	5,840	--
Net cash provided (used) by noncapital financing activities	53,878	(85,092)	(16,394)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	247,465	--
Proceeds from the sale of general obligation bonds and other tax supported debt	22,713	25,655	--
Proceeds from long-term loans	--	2,593	--
Principal paid on long-term debt	(27,837)	(229,380)	(381)
Proceeds from the sale of capital assets	--	10	--
Interest paid on revenue bonds and other debt	(11,091)	(188,842)	(175)
Passenger facility charges	--	19,806	--
Acquisition and construction of capital assets	(49,161)	(465,504)	(10,860)
Contributions from state and federal governments	18	2,240	--
Contributions in aid of construction	4,661	36,018	--
Bond issuance costs	(499)	(2,702)	--
Bond premiums	628	40,517	--
Bonds issued for advanced refundings of debt	35,632	350,680	142
Cash paid for bond refunding escrow	(35,323)	(188,716)	(140)
Cash paid to payoff commercial paper	--	(200,000)	--
Cash paid for nuclear fuel inventory	--	(14,755)	--
Net cash (used) by capital and related financing activities	(60,259)	(564,915)	(11,414)

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (219,586)	(212,911)	(32,396)
Proceeds from sale and maturities of investment securities	223,902	215,169	30,502
Interest on investments	1,609	82	221
Net cash provided (used) by investing activities	5,925	2,340	(1,673)
Net increase (decrease) in cash and cash equivalents	44,066	5,467	(15,012)
Cash and cash equivalents, October 1	215,352	112,571	215,675
Cash and cash equivalents, September 30	259,418	118,038	200,663
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	174,875	142,801	11,767
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	152,450	102,455	21,151
Amortization	--	988	--
Change in assets and liabilities:			
Decrease in working capital advances	513	--	--
(Increase) decrease in accounts receivable	(6,526)	5,109	2,059
Increase in allowance for doubtful accounts	4,418	1,332	172
(Increase) decrease in inventory	9,957	231	(106)
(Increase) decrease in prepaid expenses and other assets	(2,012)	(2)	22
Decrease in advances to other funds	--	--	--
(Increase) decrease in other long-term assets	15,237	--	--
Increase (decrease) in accounts payable	1,531	(406)	124
Increase in accrued payroll and compensated absences	619	332	96
Increase in claims payable	--	--	--
Decrease in pension obligations payable	(1,247)	(206)	(63)
Increase in other post employment benefits payable	12,283	8,484	2,283
Increase (decrease) in other liabilities	6,493	--	(75)
Increase in customer deposits	3,749	350	317
Total adjustments	197,465	118,667	25,980
Net cash provided by operating activities	$ 372,340	261,468	37,747

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(18,934)	(483,827)	--
Proceeds from sale and maturities of investment securities	18,765	488,338	--
Interest on investments	223	2,135	(19)
Net cash provided (used) by investing activities	54	6,646	(19)
Net increase (decrease) in cash and cash equivalents	16,213	50,734	(1,476)
Cash and cash equivalents, October 1	196,829	740,427	136,098
Cash and cash equivalents, September 30	213,042	791,161	134,622
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(15,552)	313,891	11,413
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	27,190	303,246	10,953
Amortization	--	988	--
Change in assets and liabilities:			
Decrease in working capital advances	--	513	--
(Increase) decrease in accounts receivable	2,154	2,796	(629)
Increase in allowance for doubtful accounts	640	6,562	--
(Increase) decrease in inventory	(96)	9,986	116
(Increase) decrease in prepaid expenses and other assets	(7)	(1,999)	(75)
Decrease in advances to other funds	--	--	45
(Increase) decrease in other long-term assets	4	15,241	(119)
Increase (decrease) in accounts payable	79	1,328	(789)
Increase in accrued payroll and compensated absences	803	1,850	1,223
Increase in claims payable	--	--	3,924
Decrease in pension obligations payable	(252)	(1,768)	--
Increase in other post employment benefits payable	9,221	32,271	--
Increase (decrease) in other liabilities	(2,992)	3,426	289
Increase in customer deposits	1,348	5,764	--
Total adjustments	38,092	380,204	14,938
Net cash provided by operating activities	22,540	694,095	26,351

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2014
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	$ (831)	(9,707)	--
Capital assets contributed from other funds	--	249	--
Capital assets contributed to other funds	--	(3,199)	--
Contributed facilities	--	23,776	--
(Increase) decrease in the fair value of investments	(2,859)	--	--
Amortization of bond (discounts) premiums	4,910	9,555	(34)
Amortization of gain/loss on refundings	(6,812)	(5,934)	(939)
Loss on disposal of assets	(8,101)	(1,812)	(795)
Costs (recovered) to be recovered	(5,496)	(16,441)	--
Transfers (to) from other funds	(64)	(173)	(343)
Capitalized interest	--	--	1,409

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	**Total**	**Activities- Internal Service Funds**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(10,538)	--
Capital assets contributed from other funds	36,657	36,906	11,008
Capital assets contributed to other funds	(310)	(3,509)	(352)
Contributed facilities	--	23,776	--
(Increase) decrease in the fair value of investments	--	(2,859)	--
Amortization of bond (discounts) premiums	1,874	16,305	(45)
Amortization of gain/loss on refundings	(1,140)	(14,825)	(32)
Loss on disposal of assets	(845)	(11,553)	(13,571)
Costs (recovered) to be recovered	--	(21,937)	--
Transfers (to) from other funds	1,033	453	(446)
Capitalized interest	1,415	2,824	--

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

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 1,829	3,035
Other assets	120	--
Total assets	1,949	3,035
LIABILITIES		
Accounts payable	24	--
Due to other governments	--	2,330
Deposits and other liabilities	1,191	705
Total liabilities	1,215	3,035
NET POSITION		
Held in trust	734	
Total net position	$ 734	

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

		Private-purpose Trust
ADDITIONS		
Contributions	$	1,190
Interest and other		1
Total additions		1,191
DEDUCTIONS		
Benefit payments		1,166
Total deductions		1,166
Net additions (deductions)		25
Total net position - beginning		709
Total net position - ending	$	734

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, 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. The City Council is composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms and may serve a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a Councilmember.

On November 6, 2012, City of Austin voters approved a charter amendment which provides for the election of City Councilmembers from 10 geographical single-member districts, with the mayor to be elected from the city at large. This new process will be effective with the November 2014 election. A 14-member Citizens Redistricting Commission drew the boundaries for the 10 districts in compliance with federal and state requirements and submitted to Council in November 2013.

The City's major activities or programs include general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management. In addition, the City owns and operates certain major enterprise activities including an electric utility, water and wastewater utility, airport, and non-major enterprise activities including convention, environmental and health services, public recreation, and urban growth management activities. These activities are included in the accompanying financial statements.

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 67 and No. 70. In fiscal year 2014, the City implemented the following GASB Statements:

GASB Statement	Impact
65 – "*Items Previously Reported as Assets and Liabilities*"	This resulted in the movement of items from Assets to Deferred outflows of resources and from Liabilities to Deferred inflows of resources. In addition, several items previously reported as assets are now expensed in the statements, most notably, bond issue costs. Results of the implementation of this standard are discussed in Note 1 and Note 18.
66 – "*Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*"	The implementation of this standard had little impact on the amounts reported in the financial statements.
67 – "*Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*"	This statement is directed at the Pension Plans and did not impact the City of Austin financial reporting. The companion statement for governments, GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*", is effective for the City in 2015. GASB Statement No. 68 requires governments offering defined benefit pension plans to recognize a long-term obligation for pension benefits as a liability for the first time and adds additional note disclosures and required supplementary information.
70 – "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*"	The implementation of this standard did not impact the City of Austin financial reporting.

The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is not subject to federal income taxes, under the Internal Revenue Code Section 115. Furthermore, it is not subject to state sales tax.

a -- Reporting Entity

These financial statements present the City's primary government, its component units, and other entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from data of the City.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
a -- Reporting Entity, continued

Blended Component Units – Following are the City's blended component units.

Blended Component Units	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
The Austin Housing Finance Corporation (AHFC)	AHFC was created in 1979 as a public, nonprofit corporation and instrumentality of the City under the provisions of the Texas Housing Finance Corporation Act, Chapter 394, and Local Government Code. The mission of the AHFC is to generate and implement strategic housing solutions for the benefit of low- and moderate- income residents of the City. AHFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit. Reporting Fund: Housing Assistance Fund, a nonmajor special revenue fund
Austin Industrial Development Corporation (AIDC)	AIDC was created under the Texas Development Corporation Act of 1979 to provide a means of extending tax-exempt financing to projects that are deemed to have substantial social benefit through the creation of commercial, industrial, and manufacturing enterprises, in order to promote and encourage employment in the City. The Austin City Council acts as the board of directors of the corporation. In addition, City management has operational responsibilities for this component unit. Reporting Fund: Austin Industrial Development Corporation Fund, a nonmajor special revenue fund
Mueller Local Government Corporation (MLGC)	A non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. MLGC was created for the purpose of financing infrastructure projects required for the development of the former site of Mueller Airport. The Austin City Council acts as the board of directors of the corporation. Members of the City staff serve as officers of the corporation and have operational responsibilities for this component unit. Reporting Fund: Mueller Local Government Corporation, a nonmajor special revenue fund
Urban Renewal Agency (URA)	URA was created by the City under Chapter 374 of the Texas Local Government Code. The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council. An Urban Renewal Plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City. Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund
Austin-Bergstrom International Airport (ABIA) Development Corporation	ABIA Development Corporation is governed by a board composed of the City Council. The entity has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. To date, none of the bonds issued constitute a liability of ABIA Development Corporation or the City of Austin. ABIA Development Corporation is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit. There is no financial activity to report related to this component unit.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
a -- Reporting Entity, continued

Discretely Presented Component Units – Following are the City's discretely presented component units. See Note 17 for additional information. Financial statements for these entities can be requested from the addresses located below.

Discretely Presented Component Units	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 2716 Spirit of Texas Drive Austin, TX 78719	ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.
Austin Convention Enterprises, Inc. (ACE) 500 East 4th Street Austin, TX 78701	ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.
Waller Creek Local Government Corporation (WCLGC) 124 W. 8th Street Austin, TX 78701	WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. The Austin City Council appoints a voting majority of the board of directors of the WCLGC and maintains a contractual ability to remove board members at will.

Related Organizations -- The City Council appoints the voting majority of the board members, but the City has no significant financial accountability for the Austin Housing Authority. The Mayor appoints the persons to serve as commissioners of this organization; however, this entity is separate from the operating activities of the City.

The City of Austin retirement plans (described in Note 7) and the City of Austin Deferred Compensation Plan are not included in the City's reporting entity since the City does not exercise substantial control over these plans.

Related organizations are not included in the City's reporting entity.

b -- Government-wide and Fund Financial Statements

The basic financial statements include both 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 governmental and business-type activities of the primary government and its component units. Fiduciary activities are not included in the government-wide statements. Internal service fund asset, deferred outflow of resources, liability, and deferred inflow of resources balances that are not eliminated in the statement of net position are primarily reported in the governmental activities column on the government-wide 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 to external customers.

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

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental, proprietary, and fiduciary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GAAP; the City has elected to present the Airport Fund as a major fund even though it does not meet the minimum criteria. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into nonmajor governmental, nonmajor enterprise, or internal service fund groupings. A reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences between the two different reporting approaches.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
b -- Reporting Entity, continued

The City's fiduciary funds are presented in the fund financial statements by type (private-purpose and agency). By definition, fiduciary fund assets are held for the benefit of a third party and cannot be used to address activities or obligations of the primary government; therefore, they are not included in the government-wide statements.

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available). Revenues, other than grants, are considered available when they are collectible within the current period or soon enough thereafter to liquidate liabilities of the current period (defined by the City as collected within 60 days of the end of the fiscal year). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed or when all eligibility requirements of the provider have been met, and they are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is due. However, expenditures related to compensated absences and arbitrage are recorded when payment is due. Debt service expenditures are recognized when payment is due. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, vehicle rental taxes, municipal court fines, development permits and inspections, building safety permits and inspections, public health charges, emergency medical service charges, 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. All other revenue items are considered measurable and available in the fiscal period the City receives cash.

Governmental Funds: Consist of the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

The City reports the following major governmental fund:

> General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management.

In addition, the City reports the following nonmajor governmental funds:

> Special Revenue Funds: Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
>
> Debt Service Funds: Account for and report financial resources, and the accumulation of those financial resources, that are restricted, committed, or assigned to expenditure for principal and interest of general long-term debt and HUD Section 108 loans.
>
> Capital Projects Funds: Account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those reported within proprietary funds). It is primarily funded by general obligation debt, other tax supported debt, interest income, and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.
>
> Permanent Funds: Account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Proprietary Funds: Consist of enterprise funds and internal service funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing electric or water-wastewater services. Other revenues or expenses are nonoperating items.

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

Austin Energy™: Accounts for the activities of the City-owned electric utility.
Austin Water Utility: Accounts for the activities of the City-owned water and wastewater utility.
Airport Fund: Accounts for the operations of the Austin-Bergstrom International Airport (ABIA).

The City reports the following nonmajor business-type activities in Exhibit A-2:

Convention: Accounts for convention center and public events activities.
Environmental and health services: Accounts for solid waste services activities.
Public recreation: Accounts for golf activities.
Urban growth management: Accounts for drainage and transportation activities.

Internal Service Funds: Account for the financing of goods or services provided by one city department or agency to other city departments or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, capital projects management, combined emergency center operations, employee health benefits, fleet services, information services, liability reserve (city-wide self-insurance) services, support services, wireless communication services, and workers' compensation coverage.

Fiduciary Funds: Account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments:

Private-purpose Trust Funds: Account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Private-purpose trust funds account for various purposes: general government, transportation, public recreation and culture, and urban growth management.

Agency Funds: Account for resources held by the City in a custodial capacity for permit fees; campaign financing donations and fees; Municipal Court service fees; and escrow deposits and payments to loan recipients.

d -- Budget

The City Manager is required by the City Charter to present a proposed operating and capital budget to the City Council no later than thirty days before the beginning of the new fiscal year. The final budget shall be adopted no later than the twenty-seventh day of the last month of the preceding fiscal year. During the final adoption process, the City Council passes an appropriation ordinance and a tax-levying ordinance.

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. Additional information related to special revenue funds with legally adopted budgets can be found in Exhibit E-13. Annual budgets are also adopted for enterprise and internal service funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the projects, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain payroll accruals, employee training, and other fund-level expenditures are budgeted as general city responsibilities.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annual budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council approves amendments to the budget and transfers of appropriations from one fund and department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all city funds (except for certain funds shown in Note 3 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that carry a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments -- Certain investments are required to be reported at fair value, based on quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities and money market mutual funds at fair value as of September 30, 2014. Investments in local government investment pools are carried at net asset value per share calculated using the amortized cost method which approximates fair value.

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2014 (in thousands):

	Charges for Services	Fines	Taxes	Other Govern-ments	Other	Total
Governmental activities						
General Fund	$ 209,629	21,097	42,504	--	--	273,230
Nonmajor governmental funds	1,654	--	18,525	7,957	2,636	30,772
Internal service funds	3,465	--	--	--	--	3,465
Allowance for doubtful accounts	(204,505)	(9,463)	--	(259)	--	(214,227)
Total	$ 10,243	11,634	61,029	7,698	2,636	93,240

Receivables reported in business-type activities are primarily comprised of charges for services.

	Austin Energy	Austin Water	Airport	Nonmajor Enterprise	Total
Accounts receivable	$ 189,154	70,088	5,032	24,528	288,802
Allowance for doubtful accounts	(11,727)	(3,552)	(1,240)	(2,730)	(19,249)
Total	$ 177,427	66,536	3,792	21,798	269,553

Elimination of Internal Activities -- The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the City to "look back" and adjust the internal service funds' internal charges. A positive change in net position derived from internal service fund activity results in a pro-rata reduction in the charges made to the participatory funds. A deficit change in net position of internal service funds requires a pro-rata increase in the amounts charged to the participatory funds.

Internal Balances -- In the government-wide statement of net position, internal balances are the receivables and payables between the governmental and business-type activities.

Interfund Receivables and Payables -- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivables or payables are not expected to be liquidated within one year, they are classified as "advances to other funds" or "advances from other funds."

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Inventories -- Inventories are valued at cost, which is determined as follows:

Fund	Inventory Valuation Method
General Fund	Average cost; postage first-in, first out
Austin Energy	
Fuel oil	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund and certain special revenue funds are offset by an equal amount in nonspendable fund balance, which indicates that they do not represent "available spendable resources."

Restricted Assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since Austin Energy and Austin Water Utility report in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

The balances of restricted assets in the enterprise funds are as follows (in thousands)

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 78,531	97,295	118,877	39,530	334,233
Customer and escrow deposits	27,202	9,756	779	4,542	42,279
Debt service	56,217	90,175	17,674	17,929	181,995
Environmental and landfill	--	--	--	1,898	1,898
Federal grants	8,955	--	300	232	9,487
Operating reserve account	--	--	11,334	12,469	23,803
Passenger facility charge account	--	--	50,317	--	50,317
Plant decommissioning	197,410	--	--	--	197,410
Renewal and replacement account	64	--	10,000	1,293	11,357
Revenue bond reserve	9,988	58,422	2,434	13,304	84,148
Strategic reserve	106,577	--	--	--	106,577
	$ 484,944	255,648	211,715	91,197	1,043,504

Capital Assets -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net position; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of $5,000 or more and an estimated useful life of greater than one year. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets or increase their value are capitalized in the government-wide and proprietary statement of net position and expended in governmental funds.

The City obtains public domain capital assets (infrastructure) through capital improvement projects (CIP) construction or through annexation or developer contribution. Infrastructure assets include streets and roads, bridges, pedestrian facilities, drainage systems, and traffic signal systems acquired after September 30, 1980.

Interest is not capitalized on governmental capital assets. Enterprise funds, with the exception of the Austin Energy and Austin Water Utility, capitalize interest paid on long-term debt when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Interest is not capitalized on Austin Energy and Austin Water Utility assets in accordance with accounting for regulated operations.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Capital assets, except for nuclear fuel, are depreciated or amortized using the straight-line method over the following estimated useful lives (in years):

		Business-type Activities			
Assets	**Governmental Activities (1)**	**Austin Energy**	**Austin Water Utility**	**Airport**	**Nonmajor Enterprise**
Buildings and improvements	5-40	--	15-50	15-40	12-40
Plant and equipment	5-50	--	5-60	4-50	5-40
Vehicles	3-20	3-15	3-20	3-20	3-30
Electric plant	--	3-50	--	--	--
Non-electric plant	--	3-30	--	--	--
Communication equipment	7-15	--	7	7	7
Furniture and fixtures	12	--	12	12	12
Computers and EDP equipment	3-7	--	3-7	3-7	3-7
Nuclear fuel	--	(2)	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds
(2) Nuclear fuel is amortized over units of production

Depreciation of assets is classified by functional component. The City considers land, arts and treasures, and library collections to be inexhaustible; therefore, these assets are reported as nondepreciable. The true value of arts and treasures is expected to be maintained over time and, thus, is not depreciated. The initial investment of library collections for each library is capitalized. All subsequent expenditures related to the maintenance of the collection (replacement of individual items) are expensed, with the overall value of the collection being maintained, and therefore, not depreciated.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Water rights represent the amortized cost of a $100 million contract, net of accumulated amortization, of $14.8 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

Regulatory Assets -- In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized gain/loss on investments, debt issuance costs, pension, other post employment benefits, interest, decommissioning, and pass-through rates, such as the Power Supply Adjustment charge, Community Benefit charge, and Regulatory charge. Regulatory Assets will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If regulatory assets are not recoverable in future rates, the regulatory asset will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues and expenses.

Deferred Outflows (Inflows) of Resources -- Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net assets that have a negative effect on net position, similar to liabilities.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

In fiscal year 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Prior to this implementation, deferred outflows and inflows were limited to derivative instruments and service concession arrangement transactions. The following chart reflects the activities that are now included in these categories.

Activities	Category and explanation	Deferred Outflows	Deferred Inflows
Derivative instruments	**Deferred outflows or inflows.** Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument.	$90,437	4,242
Gain/loss on debt refundings	**Deferred outflows or inflows.** When debt is refunded, the associated gains (deferred outflows) or losses (deferred inflows) are recognized as deferred outflows or inflows of resources and amortized over future periods.	120,687	409
Regulated operations	**Deferred inflows.** In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain/loss on investments, contributions, interest, decommissioning, and pass-through rates.		729,148
Service concession arrangements	**Deferred inflows**. The resources related to the service concession arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.		1,607
Unavailable revenues	**Deferred inflows.** In Governmental funds, unavailable revenue is reported as deferred inflows of resources and recognized as inflows of resources in the period that the amounts become available.		8,132

Compensated Absences -- The amounts owed to employees for unpaid vacation, exception vacation, and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability for governmental funds is the amount of vacation, exception vacation, and sick leave at termination payable within 60 days of fiscal year-end.

Accumulated leave payouts are limited to the lower of actual accumulated hours or the hours listed below:

	Work-week	Non-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	270
	48	N/A	N/A	N/A	309
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	206
	42	160	N/A	N/A	206
	48	160	N/A	N/A	206
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	1,400	720	720
	42	N/A	N/A	N/A	756
	48	N/A	N/A	N/A	926
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120	120	120	120

(1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
(2) Sworn police employees with 12 years of actual service are eligible for accumulated sick leave payout.
As of January 1, 2011, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
(3) Sworn fire employees are eligible for accumulated sick leave payout regardless of hire date.
(4) Sworn EMS employees with 12 years of actual service are eligible for accumulated sick leave payout if certain criteria are met.
(5) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.
(6) Employees may earn compensatory time in lieu of paid overtime; maximum payout is 120 hours for all employees.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Other Post employment Benefits (OPEB) -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2014, the City's total actuarial accrued liability for these retiree benefits was approximately $1.5 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

Long-Term Debt -- The debt service for general obligation bonds and other general obligation debt (including loans), issued to fund general government capital projects, is paid from tax revenues, interfund transfers, and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to finance proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds issued to finance capital projects of certain enterprise funds are to be repaid from select revenues of these funds. Note 6 contains more information about pledged revenues by fund. The corresponding debt is recorded in the applicable fund.

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by other tax supported debt, whose principal and interest are payable primarily from the net revenues of Austin Water Utility.

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt liability and the related deferred amount on the statement of net position as deferred outflows of resources. Austin Energy and Austin Water Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

Other Long-Term Liabilities -- Capital appreciation bonds are recorded at net accreted value. Annual accretion of the bonds is recorded as interest expense during the life of the bonds. The cumulative accretion of capital appreciation bonds, net of principal and interest payments on the bonds, is recorded as capital appreciation bond interest payable.

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs and the liability for landfill closure and postclosure costs are reported in Austin Resource Recovery, a nonmajor enterprise fund.

Operating Revenues -- Revenues are recorded net of allowances, including bad debt, in the government-wide and proprietary fund-level statements. The funds listed below report revenues net of bad debt expense, as follows (in thousands):

	Bad Debt Expense
Austin Energy	$ 20,868
Austin Water Utility	6,371
Airport	172
Nonmajor Enterprise	5,207

Electric, water, and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills rendered on a cycle basis by billing district. Electric rate schedules include a fuel cost adjustment clause that permits recovery of fuel costs in the month incurred or in future months. The City reports fuel costs on the same basis as it recognizes revenue. Unbilled revenue is recorded in Austin Energy by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2014. The amount of unbilled revenue recorded, as of September 30, 2014, was $37.0 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2014. The amount of unbilled revenue recorded as of September 30, 2014 was $13.4 million for water and $12.2 million for wastewater.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Revenues are also recorded net of discounts in the government-wide and proprietary fund-level statements. Discounts are offered as incentives geared towards generating additional revenue in the form of new or expanded business, or to encourage events with a significant economic impact, as well as expedient event planning. The funds listed below report revenues net of discounts, as follows (in thousands):

	Discounts
Airport	$ 748
Nonmajor Enterprise	1,290

Interfund Revenues, Expenses, and Transfers -- 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, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds. In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred in the Support Services Fund, which is reported as an internal service fund. Indirect costs are calculated in a citywide cost allocation plan or through indirect cost rates, which are based on the cost allocation plan.

Intergovernmental Revenues, Receivables, and Liabilities -- Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. Revenues are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

Federal and State Grants, Entitlements, and Shared Revenues -- Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements, and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally accounted for within the nonmajor governmental fund groupings include: Federal grant funds, State grant funds, and other special revenue grant funds. 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. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenses are recognized in the applicable proprietary fund.

Special item – land sale -- In April 2012, the City Council approved an ordinance authorizing the execution of a master development agreement for the sale and redevelopment of the Green Water Treatment plant land. Under this agreement, the City will sell the land to the developer in four phases. The first payment of $15.83 million was received by the City in fiscal year 2014. The balance of the sale should occur in three pieces completing in fiscal year 2019, according to the current schedule. The unusual and infrequent occurrence of a sale of City property of this significance and the fact that the transaction is under the control of City management, it is being reported as a special item in the financial statements.

Fund Equity -- Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund type classifications are as follows:

> <u>Nonspendable:</u> The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.
>
> <u>Restricted:</u> The portion of fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.
>
> <u>Committed:</u> The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of a majority vote by City Council. The City Council is the highest level of decision making.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Assigned: The portion of fund balance that is constrained by the City's intent to use for specific purposes, but are neither restricted nor committed. Under the city charter, the City Manager is authorized to assign individual amounts up to $57,000 in fiscal year 2014 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes.

The constraints placed on the fund balances of the General Fund and the nonmajor governmental funds are presented below (in thousands):

		Nonmajor Governmental				
	General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable						
Inventory	$ 777	--	--	--	--	777
Prepaid items	173	--	--	--	--	173
Permanent funds	--	--	--	--	1,052	1,052
Total Nonspendable	950	--	--	--	1,052	2,002
Restricted						
Municipal court services	--	3,008	--	--	--	3,008
Police special purpose	--	6,090	--	--	--	6,090
Fire special purpose	--	44	--	--	--	44
Transportation, planning, and sustainability	--	324	--	--	--	324
Public health services	--	264	--	--	--	264
Parks services	--	1,817	--	--	--	1,817
Library services	--	1,258	--	--	1	1,259
Tourism programs	--	18,416	--	--	--	18,416
Affordable housing programs	--	30,006	--	--	--	30,006
Urban growth programs	--	3,260	--	--	--	3,260
Capital construction	--	--	--	79,144	--	79,144
Debt service	--	--	18,368	--	--	18,368
Total Restricted	--	64,487	18,368	79,144	1	162,000
Committed						
Municipal court services	223	--	--	--	--	223
Police special purpose	2,101	--	--	--	--	2,101
Fire special purpose	769	--	--	--	--	769
EMS special purpose	1,172	--	--	--	--	1,172
Public health services	1,874	--	--	--	--	1,874
Parks services	1,253	3,638	--	--	--	4,891
Library services	306	--	--	--	--	306
Affordable housing programs	--	2,729	--	--	--	2,729
Urban growth programs	1,330	21,119	--	--	--	22,449
Capital construction	--	--	--	39,047	--	39,047
Total Committed	9,028	27,486	--	39,047	--	75,561
Assigned						
General government services	6	--	--	--	--	6
Municipal court services	27	--	--	--	--	27
Police special purpose	171	28	--	--	--	199
Fire special purpose	206	--	--	--	--	206
EMS special purpose	125	--	--	--	--	125
Transportation, planning, and sustainability	--	8	--	--	--	8
Public health services	340	27	--	--	--	367
Parks services	211	102	--	--	--	313
Library services	84	6	--	--	--	90
Tourism programs	--	39	--	--	--	39
Affordable housing programs	--	145	--	--	--	145
Urban growth programs	15,689	2,097	--	--	--	17,786
Capital construction	--	--	--	22,643	--	22,643
Total Assigned	16,859	2,452	--	22,643	--	41,954
Unassigned	156,659	(8,248)	--	(62,333)	--	86,078
Total Fund Balance	$ 183,496	86,177	18,368	78,501	1,053	367,595

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Restricted resources -- If both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed. In governmental funds, unrestricted resources would be utilized in order from committed to assigned and finally unassigned.

Budget stabilization -- By formal action of City Council, the General Fund maintains 3 reserve funds: a contingency reserve, an emergency reserve, and a budget stabilization reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2014, the contingency reserve maintains a balance of 1 percent of departmental expenditures, or $6.8 million, the emergency reserve remains fixed with a balance of $40 million, and the budget stabilization reserve reports a balance of $108.3 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other onetime costs, but such appropriation should not exceed one-third of the total amount in the reserve.

Cash and Cash Equivalents -- For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts. The City considers the investment pool to be highly liquid, similar to a mutual fund.

Pension Costs -- State law governs pension contribution requirements and benefits. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see Note 7).

Risk Management -- The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts; theft of, damage to, or destruction of assets; fraud; and natural disasters. The City is self-insured for legal liabilities, workers' compensation claims, and employee health benefits.

The City does not participate in a risk pool but purchases commercial insurance coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites (see Note 13).

Austin Energy has established an energy risk management program. This program was authorized by City Council and led by the risk oversight committee. Under this program, Austin Energy enters into futures contracts, options, and swaps to reduce exposure to natural gas and energy price fluctuations. For additional details see Note 9.

f -- Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). Comparative data has been utilized within the MD&A to help readers more fully understand the City's financial statements for the current period.

g -- Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2014 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 180,969	--
Nonmajor governmental funds	181,362	--
Austin Energy	150,780	103,607
Austin Water Utility	21,827	96,206
Airport	7,885	192,774
Nonmajor enterprise funds	146,573	66,436
Internal service funds	132,617	542
Fiduciary funds	4,864	--
Subtotal pooled investments and cash	826,877	459,565
Total pooled investments and cash	$ 1,286,442	

3 – INVESTMENTS AND DEPOSITS
a -- Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity; addresses investment diversification, yield, and maturity; and addresses the quality and capability of investment personnel. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the City Council. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment, and the maximum average dollar weighted maturity allowed for pooled fund groups. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, and yield. Additionally, the soundness of financial institutions in which the City will deposit funds is addressed.

The City Treasurer submits an investment report each quarter to the investment committee. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

The City is authorized to invest in the following investment instruments if they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties, or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers' acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, are eligible collateral for borrowing from a Federal Reserve Bank, and are accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Certificates of deposit issued by savings banks domiciled in Texas;
10. Share certificates issued by a state or federal credit unions domiciled in Texas;
11. Money market mutual funds;
12. Local government investment pools (LGIPs); and
13. Securities lending program.

The City participates in four LGIPs: TexPool, TexasDAILY, TexStar, and Lone Star. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. First Public, LLC serves as the administrator of Lone Star under an agreement with Lone Star's board of directors. The City's position in the pool is the same as the value of the pool shares.

3 – INVESTMENTS AND DEPOSITS, continued
a -- Investments, continued

The City invests in TexPool, TexasDAILY, TexStar, and Lone Star to provide its liquidity needs. TexPool, TexasDAILY, TexStar, and Lone Star are LGIPs that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, TexasDAILY, TexStar, and Lone Star are 2(a)7-like funds, meaning that they are structured somewhat like a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. TexPool, TexasDAILY, TexStar, and Lone Star are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2014, TexPool, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 48 days, 47 days, 51 days, and 46 days, respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2014.

All City investments are insured, registered, or held by an agent in the City's name; therefore, the City is not exposed to custodial credit risk.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2014 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 16,984	269,754	--	286,738
Money Market Funds	--	36,761	--	36,761
US Treasury Notes	--	35,442	--	35,442
US Agency Bonds	--	229,367	--	229,367
Total non-pooled investments	16,984	571,324	--	588,308
Pooled investments:				
Local Government Investment Pools	154,235	246,305	1,524	402,064
US Treasury Notes	65,876	104,510	647	171,033
US Agency Bonds	265,685	421,420	2,693	689,798
Total pooled investments	485,796	772,235	4,864	1,262,895
Total investments	$ 502,780	1,343,559	4,864	1,851,203

Concentration of Credit Risk
At September 30, 2014, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Farm Credit Bank ($159.9 or 9%), Federal Home Loan Bank ($344.5 or 19%), Federal Home Loan Mortgage Corporation ($180.1 or 10%), and Federal National Mortgage Association ($234.7 or 13%).

The risk exposures for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types of the City are not significantly greater than the deposit and investment risk of the primary government. The Investment Policy segregates the portfolios into strategic categories including:

1. Operating funds excluding special project funds,
2. Debt service funds,
3. Debt service reserve funds, and
4. Special project funds or special purpose funds.

The City's credit risk is controlled by complying with the Investment Policy, which includes qualification of the brokers and financial institutions with whom the City will transact, sufficient collateralization, portfolio diversification, and maturity limitations.

3 – INVESTMENTS AND DEPOSITS, continued
b – Investment Categories

Operating Funds
As of September 30, 2014, the City operating funds had the following investments (in thousands):

Investment Type	Fair Value: Governmental Activities	Fair Value: Business-type Activities	Fair Value: Fiduciary Funds	Fair Value: Total	Weighted Average Maturity (days)
Local Government Investment Pools	$ 154,235	246,305	1,524	402,064	1
US Treasury Notes	65,876	104,510	647	171,033	527
US Agency Bonds	265,685	421,420	2,693	689,798	420
Total	$ 485,796	772,235	4,864	1,262,895	298

Credit Risk
At September 30, 2014, the Operating funds held investments in LGIPs rated AAAm by Standard & Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard & Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2014, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuers (in millions): Federal Farm Credit Bank ($159.9 or 13%), Federal Home Loan Bank ($290.0 or 23%), Federal Home Loan Mortgage Corporation ($109.9 or 9%), and Federal National Mortgage Association ($130.0 or 10%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements. Three years is the maximum period before maturity.

At September 30, 2014, less than a third of the Investment Pool was invested in AAAm rated LGIPs, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 298 days, which was less than the threshold of 365 days.

Debt Service Funds
As of September 30, 2014, the City's debt service funds had the following investments (in thousands):

Investment Type	Fair Value: Governmental Activities	Fair Value: Business-type Activities	Weighted Average Maturity (days)
General Obligation Debt Service			
Local Government Investment Pools	$ 16,984	--	1
Enterprise-Utility (1)			
Local Government Investment Pools	--	146,393	1
Enterprise-Airport			
Local Government Investment Pools	--	16,072	1
Nonmajor Enterprise-Convention Center			
Local Government Investment Pools	--	10,575	1
Total	$ 16,984	173,040	

(1) Includes combined pledge debt service

Credit Risk
At September 30, 2014, the debt service funds held an investment in TexPool, an LGIP rated AAAm by Standard and Poor's.

Interest Rate Risk
Investment strategies for debt service funds have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. As a means of minimizing risk of loss due to interest rate fluctuations, securities purchased cannot have a stated final maturity date which exceeds the debt service payment date.

3 – INVESTMENTS AND DEPOSITS, continued
b -- Investment Categories, continued

Debt Service Reserve Funds
As of September 30, 2014, the City's debt service reserve funds had the following investments (in thousands):

Investment Type	Fair Value Business-type Activities	Weighted Average Maturity (days)
Enterprise-Utility (1)		
Local Government Investment Pools	$ 41,394	1
Enterprise-Airport		
Local Government Investment Pools	2,434	1
Nonmajor Enterprise-Convention Center		
Local Government Investment Pools	13,306	1
Total	$ 57,134	

(1) Includes combined pledge debt service

Credit Risk
At September 30, 2014, the debt service reserve funds held an investment in TexPool, an LGIP rated AAAm by Standard and Poor's.

Interest Rate Risk
Investment strategies for debt service reserve funds shall have as the primary object the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by bond ordinance specific to an individual issue, securities should be of high quality, with short-term to intermediate-term securities.

Special Projects or Special Purpose Funds
Special Project Funds
At September 30, 2014, the City's special project funds had the following investments (in thousands):

	Fair Value			
	Business-type Activities			Weighted
Investment Type	Utility Reserve	Airport Construction	Total	Average Maturity (days)
Local Government Investment Pools	$ 27,016	76	27,092	1

Credit Risk
At September 30, 2014, the special project funds held an investment in TexPool, an LGIP rated AAAm by Standard and Poor's.

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

Special Purpose Funds - Austin Energy Strategic Reserve Fund
As of September 30, 2014, the City's Austin Energy Strategic Reserve Fund, a special purpose fund, had the following investments (in thousands):

Investment Type	Fair Value Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	$ 12,489	1
US Treasury Notes	15,763	872
US Agency Bonds	78,325	1035
Total	$ 106,577	889

3 – INVESTMENTS AND DEPOSITS, continued
b -- Investment Categories, continued

Credit risk
At September 30, 2014, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAm by Standard & Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard & Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2014, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($23.5 or 22%), Federal Home Loan Mortgage Corporation ($20.0 or 19%), and Federal National Mortgage Association ($34.9 or 33%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

At September 30, 2014, the portfolios held investments in TexPool, US Treasuries, and US Agencies with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 889 days (2.44 years).

Special Purpose Funds - Austin Energy Nuclear Decommissioning Trust Funds (NDTF)
At September 30, 2014, the City's Austin Energy NDTF had the following investments (in thousands):

Investment Type	Fair Value Business-type Activities	Weighted Average Maturity (years)
Money Market Funds	$ 25,934	1 day
US Treasury Notes	19,679	2.85
US Agency Bonds	151,041	2.82
Total	$ 196,654	2.44

Credit Risk
At September 30, 2014, Standard & Poor's rated the US Agency Bonds AA+ and the Money Market Fund AAAm. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2014, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($31.0 or 16%), Federal Home Loan Mortgage Corporation ($50.2 or 26%), Federal National Mortgage Association ($69.8 or 35%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the NDTF portfolios requires that the dollar weighted average maturity, using final state maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2014, the dollar weighted average maturity was 2.44 years.

Special Purpose Funds - Investments Held by Trustee – Public Improvement Districts
At September 30, 2014, the City's special purpose funds had the following investments (in thousands):

Investment Type	Fair Value Business-type Activities	Weighted Average Maturity (days)
Money Market Funds	$ 10,827	1

Credit Risk
At September 30, 2014, Standard & Poor's rated the Money Market Fund AAAm.

3 – INVESTMENTS AND DEPOSITS, continued
b -- Investment Categories, continued

Interest Rate Risk
Investment objectives for these special purpose funds have as the primary objective the safety of principal and assurance of liquidity adequate to cover construction expense draws. As a means of minimizing risk of loss due to interest rate fluctuations, funds are being held in overnight money market funds until definitive construction cash flows are established.

c – Investments and Deposits

Investments and deposits portfolio balances at September 30, 2014, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 22,854	576,397	--	599,251
Pooled investments and cash	501,040	796,420	4,864	1,302,324
Total investments and cash	523,894	1,372,817	4,864	1,901,575
Unrestricted cash	70	62	--	132
Restricted cash	5,800	5,011	--	10,811
Pooled investments and cash	501,040	796,420	4,864	1,302,324
Investments	16,984	571,324	--	588,308
Total	$ 523,894	1,372,817	4,864	1,901,575

A difference of $15.9 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits
The September 30, 2014 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 70	62	132
Restricted	--	5,011	5,011
Cash held by trustee			
Restricted	5,800	--	5,800
Pooled cash	15,244	24,185	39,429
Total deposits	$ 21,114	29,258	50,372

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2014.

4 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2013, upon which the 2014 levy was based, was $88,766,098,160.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2014, 99.25% of the current tax levy (October 1, 2013) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statutes. The statutes provide for a property tax code, countywide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

4 – PROPERTY TAXES, continued

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, the Williamson Central Appraisal District, and the Hays Central Appraisal District. The appraisal districts are required under the Property Tax Code to assess all real and personal property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every two years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District and the Hays Central Appraisal District have chosen to review the value of property in their respective districts every two years, while the Williamson Central Appraisal District has chosen to review the value of property on an annual basis. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the city limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article XI, 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. Under the city charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by state statute and city charter limitations. Through contractual arrangements, Travis, Williamson, and Hays Counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2014, was $0.3856 per $100 assessed valuation. The tax rate for servicing the payment of principal and interest on general obligation long-term debt for the fiscal year ended September 30, 2014 was $0.1171 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.6144 per $100 assessed valuation, and could levy approximately $545,378,907 in additional taxes from the assessed valuation of $88,766,098,160 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 781,367	77,052	(507)	857,912
Plant and equipment	215,555	34,149	(17,686)	232,018
Vehicles	114,697	20,257	(9,936)	125,018
Infrastructure	2,245,026	115,278	--	2,360,304
Total depreciable capital assets	3,356,645	246,736	(28,129)	3,575,252
Less accumulated depreciation for				
Building and improvements	(265,529)	(22,138)	250	(287,417)
Plant and equipment	(135,903)	(19,663)	4,594	(150,972)
Vehicles	(72,220)	(11,169)	4,335	(79,054)
Infrastructure	(914,203)	(63,031)	2	(977,232)
Total accumulated depreciation	(1,387,855)	(116,001) (2)	9,181	(1,494,675)
Depreciable capital assets, net	1,968,790	130,735	(18,948)	2,080,577
Nondepreciable capital assets				
Land and improvements	351,996	37,433	(26,338)	363,091
Arts and treasures	8,021	626	(4)	8,643
Library collections	14,390	--	--	14,390
Construction in progress	218,414	272,607	(264,522)	226,499
Total nondepreciable assets	592,821	310,666	(290,864)	612,623
Total capital assets	$ 2,561,611	441,401	(309,812)	2,693,200

(1) Increases and decreases do not include transfers (at net book value) between Governmental Activities.
(2) Components of accumulated depreciation/amortization increases:

Governmental activities:	
General government	$ 5,005
Public safety	15,265
Transportation, planning and sustainability	53,241
Public health	1,538
Public recreation and culture	13,169
Urban growth management	16,830
Internal service funds	10,953
Total increases in accumulated depreciation/amortization	$ 116,001

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,694,070	46,444	(1,959)	1,738,555
Plant and equipment	3,438,145	137,841	(6,807)	3,569,179
Vehicles	177,448	16,743	(5,864)	188,327
Electric plant	4,438,575	107,061	(28,434)	4,517,202
Non-electric plant	176,157	16,818	(3,145)	189,830
Nuclear fuel	306,171	56,229	(41,636)	320,764
Water rights	100,000	--	--	100,000
Total depreciable capital assets	10,330,566	381,136	(87,845)	10,623,857
Less accumulated depreciation/amortization for				
Building and improvements	(573,422)	(43,769)	116	(617,075)
Plant and equipment	(1,194,822)	(92,840)	4,229	(1,283,433)
Vehicles	(103,759)	(16,603)	5,347	(115,015)
Electric plant	(2,195,312)	(142,593)	21,956	(2,315,949)
Non-electric plant	(48,085)	(7,441)	1,050	(54,476)
Nuclear fuel	(266,155)	(14,993)	--	(281,148)
Water rights	(13,827)	(988)	--	(14,815)
Total accumulated depreciation/amortization	(4,395,382)	(319,227) (2)	32,698	(4,681,911)
Depreciable capital assets, net	5,935,184	61,909	(55,147)	5,941,946
Nondepreciable capital assets				
Land and improvements	513,213	56,187	(14,626)	554,774
Arts and treasures	1,657	--	--	1,657
Construction in progress	648,553	479,316	(333,405)	794,464
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,186,538	535,503	(348,031)	1,374,010
Total capital assets	$ 7,121,722	597,412	(403,178)	7,315,956

(1) Increases and decreases do not include transfers (at net book value) between Business-type Activities.
(2) Components of accumulated depreciation/amortization increases:

Business-type activities:	
Electric	$ 167,443
Water	44,577
Wastewater	58,866
Airport	21,151
Convention Center	8,941
Environmental and health services	8,071
Public recreation	773
Urban growth management	9,405
Total increases in accumulated depreciation/amortization	$ 319,227

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 30,751	1,302	(1,585)	30,468
Electric plant	4,438,575	107,061	(28,434)	4,517,202
Non-electric plant	176,157	16,818	(3,145)	189,830
Nuclear fuel	306,171	56,229	(41,636)	320,764
Total depreciable capital assets	4,951,654	181,410	(74,800)	5,058,264
Less accumulated depreciation/amortization for				
Vehicles	(21,639)	(2,416)	1,581	(22,474)
Electric plant	(2,195,312)	(142,593)	21,956	(2,315,949)
Non-electric plant	(48,085)	(7,441)	1,050	(54,476)
Nuclear fuel	(266,155)	(14,993)	--	(281,148)
Total accumulated depreciation/amortization	(2,531,191)	(167,443) (1)	24,587	(2,674,047)
Depreciable capital assets, net	2,420,463	13,967	(50,213)	2,384,217
Nondepreciable capital assets				
Land and improvements	62,323	442	--	62,765
Plant held for future use	23,115	--	--	23,115
Construction in progress	80,872	166,783	(130,295)	117,360
Total nondepreciable assets	166,310	167,225	(130,295)	203,240
Total capital assets	$ 2,586,773	181,192	(180,508)	2,587,457

(1) Components of accumulated depreciation/amortization increases:	
Current year depreciation	$ 152,450
Current year amortization included in operating expense	14,993
Total increases in accumulated depreciation/amortization	$ 167,443

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 656,933	18,817	(1,734)	674,016
Plant and equipment	3,246,692	111,215	(2,877)	3,355,030
Vehicles	36,452	3,413	(723)	39,142
Water rights	100,000	--	--	100,000
Total depreciable capital assets	4,040,077	133,445	(5,334)	4,168,188
Less accumulated depreciation/amortization for				
Building and improvements	(216,717)	(15,305)	115	(231,907)
Plant and equipment	(1,125,645)	(84,122)	1,792	(1,207,975)
Vehicles	(25,453)	(3,028)	775	(27,706)
Water rights	(13,827)	(988)	--	(14,815)
Total accumulated depreciation/amortization	(1,381,642)	(103,443) (2)	2,682	(1,482,403)
Depreciable capital assets, net	2,658,435	30,002	(2,652)	2,685,785
Nondepreciable capital assets				
Land and improvements	244,646	795	(14,626)	230,815
Arts and treasures	62	--	--	62
Construction in progress	486,394	198,902	(108,214)	577,082
Total nondepreciable assets	731,102	199,697	(122,840)	807,959
Total capital assets	$ 3,389,537	229,699	(125,492)	3,493,744

(1) Increases and decreases do not include transfers (at net book value) between Austin Water Utility funds.
(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 43,589
Wastewater	58,866
Current year amortization	
Water	988
Total increases in accumulated depreciation/amortization	$ 103,443

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 710,481	24,625	--	735,106
Plant and equipment	25,082	2,436	(1,592)	25,926
Vehicles	10,672	196	(942)	9,926
Total depreciable capital assets	746,235	27,257	(2,534)	770,958
Less accumulated depreciation for				
Building and improvements	(231,068)	(18,795)	--	(249,863)
Plant and equipment	(13,975)	(1,294)	1,031	(14,238)
Vehicles	(4,852)	(1,062)	360	(5,554)
Total accumulated depreciation	(249,895)	(21,151) (1)	1,391	(269,655)
Depreciable capital assets, net	496,340	6,106	(1,143)	501,303
Nondepreciable capital assets				
Land and improvements	92,387	3,351	--	95,738
Arts and treasures	983	--	--	983
Construction in progress	30,963	53,099	(32,911)	51,151
Total nondepreciable assets	124,333	56,450	(32,911)	147,872
Total capital assets	$ 620,673	62,556	(34,054)	649,175

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 21,151

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 326,656	3,002	(225)	329,433
Plant and equipment	166,371	24,190	(2,338)	188,223
Vehicles	99,573	11,832	(2,614)	108,791
Total depreciable capital assets	592,600	39,024	(5,177)	626,447
Less accumulated depreciation for				
Building and improvements	(125,637)	(9,669)	1	(135,305)
Plant and equipment	(55,202)	(7,424)	1,406	(61,220)
Vehicles	(51,815)	(10,097)	2,631	(59,281)
Total accumulated depreciation	(232,654)	(27,190) (2)	4,038	(255,806)
Depreciable capital assets, net	359,946	11,834	(1,139)	370,641
Nondepreciable capital assets				
Land and improvements	113,857	51,599	--	165,456
Arts and treasures	612	--	--	612
Construction in progress	50,324	60,532	(61,985)	48,871
Total nondepreciable assets	164,793	112,131	(61,985)	214,939
Total capital assets	$ 524,739	123,965	(63,124)	585,580

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention Center	$ 8,941
Environmental and health services	8,071
Public recreation	773
Urban growth management	9,405
Total increases in accumulated depreciation/amortization	$ 27,190

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Capitalized Interest

The City has recorded capitalized interest for fiscal year 2014 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds		
Airport	$	1,409
Nonmajor enterprise funds:		
Austin Resource Recovery		2
Convention Center		981
Drainage		430
Golf		1
Transportation		1

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized for Austin Energy or Austin Water Utility capital assets.

Service Concession Arrangements

The City has recorded capital assets and deferred inflows of $3.67 million derived from two service concession arrangements (SCA) described below. An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the COA may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

The City has had an agreement with the Friends of Umlauf Garden, Inc. since 1991 to manage and operate the Umlauf Sculpture Garden and Museum located at 605 Robert E. Lee Road. The agreement extends through 2021 and is for the purpose of displaying the artistic works of Charles Umlauf for the public enjoyment and education. Structures, which are dedicated to the City, have been built on City-owned land and display City-owned artwork.

The City entered into an agreement with the Young Men's Christian Association (YMCA) in 2010 to develop and construct a new joint-use recreational facility for public use located at 1000 W. Rundberg Lane. The facility was built upon City-owned land and was completed in December 2012.

As of September 30, 2014, the City recorded the following activity in the governmental activities (in thousands):

Service Concession Arrangement		Asset Construction Cost	Prior Period Depreciation	Current Year Depreciation	Total Depreciation	Net Book Value
Umlauf Sculpture Garden	$	2,337	1,280	59	1,339	998
YMCA Northeast Recreation Center		1,333	28	33	61	1,272
		3,670	1,308	92	1,400	2,270

		Beginning Deferred Inflows	Prior Period Amortization	Current Year Amortization	Total Amortization	Ending Deferred Inflows
Umlauf Sculpture Garden		2,337	1,707	78	1,785	552
YMCA Northeast Recreation Center		1,333	211	67	278	1,055
	$	3,670	1,918	145	2,063	1,607

6 – DEBT AND NON-DEBT LIABILITIES

a -- Long-Term Liabilities

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by internal service funds. Deferred revenue and other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all limitations and restrictions.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2014, were as follows (in thousands):

Description	October 1, 2013	Increases	Decreases	September 30, 2014	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 919,973	227,524	(172,642)	974,855	53,769
Certificates of obligation, net	114,798	25,528	(4,497)	135,829	4,287
Contractual obligations, net	67,788	25,527	(8,279)	85,036	10,584
Debt service requirements total	1,102,559	278,579	(185,418)	1,195,720	68,640
Other long-term obligations					
Accrued compensated absences	127,828	4,635	(327)	132,136	56,693
Claims payable	39,882	21,977	(18,053)	43,806	23,655
Pension obligation payable	64,768	--	(18)	64,750	--
Other post employment benefits	375,956	59,307	--	435,263	--
Other liabilities	85,890	35,128	(33,788)	87,230	81,205
Governmental activities total	1,796,883	399,626	(237,604)	1,958,905	230,193
Total business-type activities					
General obligation bonds, net	33,192	7,475	(6,966)	33,701	4,302
Certificates of obligation, net	33,658	363	(6,789)	27,232	983
Contractual obligations, net	55,508	25,971	(15,625)	65,854	15,370
Other tax supported debt, net	9,915	--	(720)	9,195	745
General obligation bonds and other tax supported debt total	132,273	33,809	(30,100)	135,982	21,400
Commercial paper notes, net	193,991	247,468	(200,003)	241,456	--
Revenue bonds, net	4,318,355	387,079	(406,791)	4,298,643	172,691
Capital lease obligations	1,176	--	(41)	1,135	46
Debt service requirements total	4,645,795	668,356	(636,935)	4,677,216	194,137
Other long-term obligations					
Accrued compensated absences	23,102	1,032	(310)	23,824	23,416
Pension obligation payable	63,638	--	(1,767)	61,871	--
Other post employment benefits	222,731	32,271	--	255,002	--
Accrued landfill closure and postclosure costs	10,310	245	(620)	9,935	411
Decommissioning expense payable	179,123	6,765	(3,352)	182,536	8,138
Other liabilities	802,507	5,764	(713,094)	95,177	53,919
Business-type activities total	5,947,206	714,433	(1,356,078)	5,305,561	280,021
Total liabilities (1)	7,744,089	1,114,059	(1,593,682)	7,264,466	510,214

(1) This schedule excludes select short-term liabilities of $91,307 for governmental activities. For business-type activities, it excludes select short-term liablities of $201,761, capital appreciation bond interest payable of $99,707 and derivative instruments of $90,437.

6 – DEBT AND NON-DEBT LIABILITIES, continued

a -- Long-Term Liabilities, continued

Description	October 1, 2013	Increases	Decreases	September 30, 2014	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 809	502	(625)	686	149
General obligation bonds and other tax supported debt total	809	502	(625)	686	149
Commercial paper notes, net	88,541	77,918	(3)	166,456	--
Revenue bonds, net	1,340,446	--	(88,060)	1,252,386	47,904
Capital lease obligations	1,176	--	(41)	1,135	46
Debt service requirements total	1,430,972	78,420	(88,729)	1,420,663	48,099
Other long-term obligations					
Accrued compensated absences	9,990	147	(56)	10,081	10,067
Pension obligation payable	28,877	--	(1,247)	27,630	--
Other post employment benefits	92,064	12,283	--	104,347	--
Decommissioning expense payable	179,123	6,765	(3,352)	182,536	8,138
Other liabilities	282,108	3,749	(216,065)	69,792	31,961
Electric activities total	2,023,134	101,364	(309,449)	1,815,049	98,265
Water and Wastewater activities					
General obligation bonds, net	5,067	329	(1,421)	3,975	1,016
Contractual obligations, net	8,281	3,019	(2,958)	8,342	2,033
Other tax supported debt, net	6,348	--	(461)	5,887	477
General obligation bonds and other tax supported debt total	19,696	3,348	(4,840)	18,204	3,526
Commercial paper notes, net	105,450	169,550	(200,000)	75,000	--
Revenue bonds, net	2,451,724	322,016	(225,004)	2,548,736	97,176
Debt service requirements total	2,576,870	494,914	(429,844)	2,641,940	100,702
Other long-term obligations					
Accrued compensated absences	5,260	155	--	5,415	5,415
Pension obligation payable	14,264	--	(206)	14,058	--
Other post employment benefits	55,462	8,484	--	63,946	--
Other liabilities	507,121	350	(494,337)	13,134	13,134
Water and Wastewater activities total	3,158,977	503,903	(924,387)	2,738,493	119,251
Airport activities					
General obligation bonds, net	161	89	(116)	134	29
General obligation bonds and other tax supported debt total	161	89	(116)	134	29
Revenue bonds, net	326,547	35,620	(52,154)	310,013	16,681
Debt service requirements total	326,708	35,709	(52,270)	310,147	16,710
Other long-term obligations					
Accrued compensated absences	1,782	235	(201)	1,816	1,756
Pension obligation payable	4,312	--	(63)	4,249	--
Other post employment benefits	14,926	2,283	--	17,209	--
Other liabilities	1,878	317	(75)	2,120	2,108
Airport activities total	349,606	38,544	(52,609)	335,541	20,574
Nonmajor activities					
General obligation bonds, net	27,155	6,555	(4,804)	28,906	3,108
Certificates of obligation, net	33,658	363	(6,789)	27,232	983
Contractual obligations	47,227	22,952	(12,667)	57,512	13,337
Other tax supported debt, net	3,567	--	(259)	3,308	268
General obligation bonds and other tax supported debt total	111,607	29,870	(24,519)	116,958	17,696
Revenue bonds, net	199,638	29,443	(41,573)	187,508	10,930
Debt service requirements total	311,245	59,313	(66,092)	304,466	28,626
Other long-term obligations					
Accrued compensated absences	6,070	495	(53)	6,512	6,178
Pension obligation payable	16,185	--	(251)	15,934	--
Other post employment benefits	60,279	9,221	--	69,500	--
Accrued landfill closure and postclosure costs	10,310	245	(620)	9,935	411
Other liabilities	11,400	1,348	(2,617)	10,131	6,716
Nonmajor activities total	415,489	70,622	(69,633)	416,478	41,931

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities

General Obligation Bonds -- General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, 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. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2014, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD	2005	$ 2,630	1,270	182	(1)(3)	3.85 - 4.30%	9/01/2015-2020
NW Austin MUD	2006	7,995	6,850	3,039	(1)(3)	4.00 - 4.25%	9/01/2015-2026
NW Austin MUD	2010	2,760	1,075	71	(1)(3)	4.00 - 4.25%	3/01/2015-2018
2005 Refunding	2005	145,345	18,655	933	(1)	5.00%	9/1/2015
2005 Refunding	2005	19,535	12,240	4,526	(1)	4.00 - 4.25%	9/1/2015-2025
2005	2005	7,185	4,825	1,308	(1)	3.70 - 4.30%	9/1/2015-2025
2006	2006	31,585	30,985	11,165	(1)	4.00 - 5.38%	9/1/2015-2026
2006	2006	24,150	17,180	5,247	(1)	4.00 - 5.00%	9/1/2015-2026
2006	2006	12,000	8,995	2,837	(1)(4)	4.00 - 6.00%	9/1/2015-2026
2007	2008	97,525	93,025	41,489	(1)	4.64%	9/1/2015-2027
2007	2008	3,820	2,885	1,082	(1)	4.88%	9/1/2015-2027
2007	2008	9,755	2,080	129	(2)	3.66%	11/1/2014-2017
2008 Refunding	2008	172,505	80,450	14,096	(1)	5.00%	9/1/2015-2021
2008	2009	76,045	60,955	28,759	(1)	3.50 - 5.00%	9/1/2015-2028
2008	2009	10,700	8,590	3,242	(1)	4.00 - 5.00%	9/1/2015-2028
2008	2009	26,715	6,450	227	(2)	3.50%	11/1/2014-2015
2009A	2009	20,905	5,440	301	(1)	4.13 - 5.00%	9/1/2015-2016
2009B	2009	78,460	78,460	37,153	(1)	4.15 - 5.31%	9/1/2017-2029
2009	2009	12,500	9,320	5,102	(1)	3.00 - 4.75%	9/1/2015-2039
2009	2009	13,800	6,495	446	(2)	3.00 - 3.25%	11/1/2014-2019
2009	2010	15,000	12,535	4,488	(1)(4)	3.50 - 4.25%	9/1/2015-2029
2010A	2011	79,528	66,330	27,732	(1)	2.00 - 4.00%	9/1/2015-2030
2010B	2011	26,400	24,870	11,952	(1)	3.50 - 4.65%	9/1/2015-2030
2010	2011	22,300	19,390	5,822	(1)	2.00 - 3.50%	9/1/2015-2030
2010	2011	16,450	8,690	269	(2)	1.00 - 1.75%	11/1/2014-2017
2010 Refunding	2011	91,560	87,555	23,585	(1)	4.00 - 5.00%	9/1/2015-2023
2011A	2012	78,090	69,590	33,910	(1)	2.00 - 4.00%	9/1/2015-2031
2011B	2012	8,450	8,350	3,761	(1)	2.50 - 4.50%	9/1/2015-2031
2011	2012	51,150	49,025	29,793	(1)	3.00 - 5.00%	9/1/2015-2041
2011	2012	26,725	18,075	878	(2)	1.00 - 2.00%	11/1/2014-2018
2011A Refunding	2012	68,285	38,265	7,623	(1)	4.00 - 5.00%	9/1/2015-2023
2011B Refunding	2012	3,000	1,030	22	(1)	1.51 - 1.86%	9/1/2015-2016
2012A	2013	74,280	70,945	32,734	(1)	3.00 - 5.00%	9/1/2023-2032
2012B	2013	6,640	5,760	1,860	(1)	2.00 - 3.50%	9/1/2015-2032
2012	2013	24,645	23,290	8,505	(1)	2.00 - 4.00%	9/1/2015-2037
2012	2013	27,135	21,840	2,375	(2)	3.00 - 4.00%	11/1/2014-2019
2012	2013	16,735	15,865	5,857	(1)(4)	2.00 - 3.38%	9/1/2015-2032
2013	2014	104,665	101,370	58,749	(1)	4.00 - 5.00%	9/1/2016-2033
2013	2014	25,355	25,355	15,463	(1)	3.25 - 5.00%	9/1/2016-2038
2013	2014	50,150	46,765	3,808	(2)	1.00 - 3.00%	11/1/2014-2020
2013A Refunding	2014	43,250	39,560	11,167	(1)	5.00%	9/1/2015-2024
2013B Refunding	2014	71,455	69,895	5,058	(1)	0.44 - 2.72%	9/1/2015-2020
			$ 1,280,575				

(1) Interest is paid semiannually on March 1 and September 1.
(2) Interest is paid semiannually on May 1 and November 1.
(3) Includes Austin Water Utility principal of $5,887 and interest of $2,108 and Drainage Fund principal of $3,308 and interest of $1,184.
(4) Included w ith contractual obligations are Mueller Local Government Corporation contract revenue bonds.

6 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities, continued

In October 2013, the City issued $104,665,000 of Public Improvement Bonds, Series 2013. The net proceeds of $113,250,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals ($50,335,000), watershed protection improvements ($35,000,000), parks and recreation ($1,425,000), central library ($20,000,000), and facility improvements ($6,490,000). These bonds will be amortized serially on September 1 of each year from 2014 to 2033. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2014. Total interest requirements for these bonds, at rates ranging from 2.0% to 5.0%, are $63,690,050.

In October 2013, the City issued $25,355,000 of Certificates of Obligation, Series 2013. The net proceeds of $25,355,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: solid waste services environmental remediation ($355,000) and Waller Creek Tunnel ($25,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2016 to 2038. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2014. Total interest requirements for these obligations, at rates ranging from 3.25% to 5.0%, are $16,526,625.

In October 2013, the City issued $50,150,000 of Public Property Finance Contractual Obligations, Series 2013. The net proceeds of $51,240,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water utility capital equipment ($1,245,000), wastewater utility capital equipment ($1,760,000), public safety radio replacements ($5,355,000), general government and support services capital equipment ($13,425,000), police capital equipment ($3,745,000), public works capital equipment ($9,210,000), fire capital equipment ($2,865,000), transportation capital equipment ($635,000) and solid waste services capital equipment ($13,000,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2014 to 2020. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2014. Total interest requirements for these obligations, at rates ranging from 0.5% to 3.0%, are $4,487,556.

In October 2013, the City issued $43,250,000 of Public Improvement Refunding Bonds, Series 2013A. The net proceeds of $49,640,369 (after issue costs, discounts, and premiums) from the refunding were used to refund $3,670,000 of Public Improvement Refunding Bonds, Series 2003; $220,000 of Certificates of Obligation, Series 2003; $4,405,000 of Certificates of Obligation, Series 2004; and $39,435,000 of Public Improvement Refunding Bonds, Series 2004. The refunding resulted in future interest requirements to service the debt of $13,047,317 with interest rates ranging from 2.0% to 5.0%. Interest is payable March 1 and September 1 of each year from 2014 to 2024, commencing on March 1, 2014. Principal payments are due September 1 of each year from 2014 to 2021, and 2023 to 2024. An economic gain of $3,773,236 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $4,286,744.

In October 2013, the City issued $71,455,000 of Public Improvement Refunding Bonds, Taxable Series 2013B. The net proceeds of $71,252,539 (after issue costs, discounts, and premiums) from the refunding were used to refund $66,475,000 of Public Improvement Refunding Bonds, Series 2005. The refunding resulted in future interest requirements to service the debt of $6,190,387 with interest rates ranging from 0.20% to 2.72%. Interest is payable March 1 and September 1 of each year from 2014 to 2020, commencing on March 1, 2014. Principal payments are due September 1 of each year from 2014 to 2020. An economic gain of $3,993,908 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $4,325,025.

General obligation bonds authorized and unissued amounted to $439,480,000 at September 30, 2014. Bond ratings at September 30, 2014 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

c -- Business-Type Activities Long-Term Liabilities

Utility Debt -- The City has previously issued combined debt for the Austin Energy and Austin Water Utility. The City began issuing separate debt for electric and water and wastewater activities in 2000. The following paragraphs describe both combined and separate debt.

Combined Utility Systems Debt -- General - Austin Energy and Austin Water Utility comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

The total combined utility systems revenue bond obligations at September 30, 2014, exclusive of discounts, premiums, and loss on refundings consists of $30,561,469 prior lien bonds and $148,104,711 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $191,741,145 at September 30, 2014. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2014, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, Inc.), AA and AA (Standard & Poor's), and AA and AA- (Fitch).

Combined Utility Systems Debt -- Revenue Bond Refunding Issues - The combined utility systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

Some of these bonds are callable prior to maturity at the option of the City. The term bonds are subject to a mandatory redemption prior to the maturity dates as defined in the respective official statements.

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	1990	$ 236,009	3,668	20,502 (2)	7.35%	11/15/2014-2017
1994 Refunding	1995	142,559	26,894	96,961 (2)	6.60%	5/15/2017-2019
1998 Refunding	1999	139,965	128,605	47,057 (1)	5.25%	5/15/2015-2025
1998A Refunding	1999	105,350	19,499	27,221 (2)	4.25%	5/15/2015-2020
			$ 178,666			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest requirements include accreted interest

Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $400,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2014, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch). The notes are in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

At September 30, 2014, Austin Energy had outstanding tax exempt commercial paper notes of $140,305,000 and Austin Water Utility had $75,000,000 of commercial paper notes outstanding with interest ranging from 0.06% to 0.08%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	Bank of Tokyo Mitsubishi	0.41%	Goldman Sachs	0.05%	$ 215,305	10/15/2017

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the “taxable notes”) in an aggregate principal amount not to exceed $50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City’s electric system and the City’s water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2014, were P-1 (Moody’s Investors Service, Inc.), A-1 (Standard & Poor’s), and F1 (Fitch).

The taxable notes are issued in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2014, Austin Energy had outstanding taxable commercial paper notes of $26,156,000 (net of discount of $4,714) with interest rates ranging from 0.13% to 0.18%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	Citibank	0.28%	Goldman Sachs	0.05%	$ 26,156	10/15/2017

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by Citibank, NA and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The taxable notes are secured by a direct-pay Letter of Credit issued by Citibank, NA which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the Ordinance. A 36-month term loan feature is provided by this agreement.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2014, were A1 (Moody’s Investors Service, Inc.), AA- (Standard & Poor’s), and AA- (Fitch).

6 – DEBT AND NON-DEBT LIABILITIES, continued

c -- Business-Type Activities Long-Term Liabilities, continued

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2002 Refunding	2002	$ 74,750	6,485	178 (1)	5.50%	11/15/2014
2002A Refunding	2002	172,880	25,775	2,854 (1)	5.50%	11/15/2014-2016
2006 Refunding	2006	150,000	130,700	83,163 (1)	5.00%	11/15/2014-2035
2006A Refunding	2007	137,800	69,555	16,383 (1)	5.00%	11/15/2014-2022
2007 Refunding	2007	146,635	59,640	8,936 (1)	5.00%	11/15/2014-2020
2008 Refunding	2008	50,000	42,860	30,870 (1)	5.20 - 6.26%	11/15/2014-2032
2008A Refunding	2008	175,000	174,200	140,917 (1)	4.00 - 6.00%	11/15/2014-2038
2010A Refunding	2010	119,255	110,075	66,726 (1)	4.00 - 5.00%	11/15/2014-2040
2010B Refunding	2010	100,990	100,990	98,529 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	267,770	203,210 (1)	2.50 - 5.00%	11/15/2016-2040
2012B Refunding	2013	107,715	107,715	26,997 (1)	0.67 - 3.16%	11/15/2015-2027
			$ 1,095,765			

(1) Interest is paid semiannually on May 15 and November 15.

Electric Utility System Revenue Debt -- Pledged Revenues - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2014 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,375,294	1,028,794	346,500	143,252	2.42

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation.
(3) Excludes other post employment benefits and pension obligation accruals.

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue Austin Water Utility revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Austin Water Utility.

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues - In June 2014, the City issued $282,205,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2014. The net proceeds of $320,800,603 (after issue costs, discounts, and premiums) from the bond refunding were used to refund $200,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system; $105,780,000 of separate lien revenue refunding bonds, series 2005A, and $9,725,000 of subordinate lien revenue refunding bonds, series 1998A. The debt service requirements on the refunding bonds are $531,497,128 with interest rates ranging from 4.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2015 to 2043. Principal payments are due May 15 of each year from 2018 to 2035, and November 15 of each year from 2019 to 2043. An economic gain of $9,769,028 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $10,623,466. An accounting loss of $2,733,850, which will be deferred and amortized, was recorded on this refunding.

Bond ratings at September 30, 2014, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt	
2001C Refunding	2002	$ 95,380	781	27	(1)	4.60 - 4.70%	11/15/2014-2015	(3)
2002A Refunding	2002	139,695	47,250	3,723	(1)	5.50%	11/15/2014-2016	
2004A Refunding	2005	165,145	19,390	3,646	(1)	5.00%	11/15/2014-2029	
2005 Refunding	2005	198,485	169,545	58,401	(1)	4.00 - 5.00%	11/15/2014-2030	(3)
2005A Refunding	2006	142,335	8,725	3,413	(1)	4.30 - 5.00%	11/15/2014-2035	(3)
2006 Refunding	2006	63,100	43,080	13,269	(1)	5.00%	11/15/2014-2025	
2006A Refunding	2007	135,000	120,525	71,865	(1)	3.50 - 5.00%	11/15/2014-2036	
2007 Refunding	2008	135,000	122,865	86,917	(1)	4.40 - 5.25%	11/15/2014-2037	
2008 Refunding	2008	170,605	125,120	46,872	(2)	0.03 - 0.12%	11/15/2014-2031	(3)
2009 Refunding	2009	175,000	156,495	70,012	(1)	4.00 - 5.13%	11/15/2014-2029	
2009A Refunding	2010	166,575	156,065	115,775	(1)	4.00 - 5.00%	11/15/2014-2039	
2010	2010	31,815	29,685	--	(4)	0.00%	11/15/2014-2041	
2010A Refunding	2011	76,855	75,535	62,790	(1)	4.00 - 5.13%	11/15/2014-2040	
2010B Refunding	2011	100,970	100,970	93,193	(1)	2.49 - 6.02%	11/15/2015-2040	
2011 Refunding	2012	237,530	237,530	183,867	(1)	2.00 - 5.00%	11/15/2014-2041	
2011 Revenue	2012	18,485	18,485	2,535	(5)	2.50 - 2.80%	12/01/2015-2016	
2011 Revenue	2012	2,332	2,332	298	(5)	2.50 - 2.80%	12/01/2015-2016	
2012 Refunding	2012	336,820	325,365	212,172	(1)	2.50 - 5.00%	11/15/2014-2042	
2013A Refunding	2013	282,460	282,460	218,643	(1)	3.00 - 5.00%	11/15/2015-2043	
2014 Refunding	2014	282,205	282,205	249,292	(1)	4.00 - 5.00%	5/15/2018-2043	(6)
			$ 2,324,408					

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.
(3) Series matures on May 15th of the final year.
(4) Zero interest bond placed w ith TWDB.
(5) Special Assessment Revenue Bonds.
(6) Series matures on November 15th of the final year.

Series 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	The Bank of Tokyo-Mitsubishi UFJ, Ltd Sumitomo Mitsui Banking Corporation	0.85%	Goldman Sachs	0.05%	$ 125,120	5/8/2015

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of Austin Water Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2014 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (4)
$ 472,717	218,071	254,646	204,146	1.25

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation.
(3) Excludes other post employment benefits and pension obligation accruals.
(4) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

Airport -- Revenue Bonds - The City's Airport Fund issues airport system revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. At September 30, 2014, the total airport system obligation for prior lien bonds is $310,445,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $71,256,575 at September 30, 2014. Revenue bonds authorized and unissued amount to $735,795,000.

Airport System Revenue Debt -- Revenue Refunding Bond Issue - In October 2013, the City issued $35,620,000 of Airport System Revenue Refunding Bonds, Series 2013A. The net proceeds of $36,868,542 (after issue costs, discounts, and premiums) from the refunding were used to refund $35,880,000 of the City's outstanding Airport System Prior Lien Revenue Refunding Bonds, Series 2003. The debt service requirements on the refunding bonds are $37,590,793, with an interest rate of 1.56%. Interest is payable May 15 and November 15 of each year from 2014 to 2018, commencing on May 15, 2014. Principal payments are due November 15 of each year from 2014 to 2018. An economic gain of $5,698,670 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $5,899,132.

The bond rating at September 30, 2014, for the revenue bonds is A (Standard & Poor's).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	$ 281,300	214,825	57,707 (2)	0.03 - 0.14%	11/15/2014-2025
2013 Revenue	2013	60,000	60,000	11,888 (3)	2.25%	11/15/2015-2028 (4)
2013A Refunding	2014	35,620	35,620	1,662 (3)	1.56%	11/15/2014-2018
			$ 310,445			

(1) Series was remarketed in 2008.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.
(3) Interest is paid semiannually on May 15 and November 15.
(4) Series matures on May 15th of the final year.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $214,825,000. The associated letter of credit agreement has the following terms (in thousands):

Variable Rate Demand Bonds

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	$ 53,725	10/15/2018
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	53,650	10/15/2018
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	53,725	10/15/2018
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	53,725	10/15/2018
					$ 214,825	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2014. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Airport Revenue Debt -- Pledged Revenues - The net revenue of the Airport Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2014 (in thousands):

Gross Revenue (1)	Other Available Funds (2)	Operating Expense (3)(4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
$ 109,263	3,620	73,822	39,061	14,480	2.70

(1) Gross revenue includes revenues from operations and interest income.
(2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.
(3) Excludes depreciation.
(4) Excludes other post employment benefits and pension obligation accruals.
(5) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

Nonmajor Fund Debt:

Convention Center -- Prior and Subordinate Lien Revenue Refunding Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2014, the total convention center obligation for prior and subordinate lien bonds is $182,670,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $55,191,678 at September 30, 2014. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2014.

Convention Center -- Revenue Refunding Bond Issue - In December 2013, the City issued $26,485,000 of Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013. The net proceeds of $29,154,825 (after issue costs, discounts, and premiums) from the refunding were used to refund $28,890,000 of the City's outstanding Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004. The debt service requirements on the refunding bonds are $30,852,642, with interest rates ranging from 2.0% to 5.0%. Interest is payable May 15 and November 15 of each year from 2014 to 2019, commencing on May 15, 2014. Principal payments are due November 15 of each year from 2014 to 2019. An economic gain of $3,013,625 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $3,166,933.

6 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Bond ratings at September 30, 2014, for the revenue bonds and subordinate lien bonds were, respectively, AA3 and A1 (Moody's Investors Service, Inc.), and AA- and A (Standard & Poor's).

The following table summarizes Convention Center original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2005	$ 36,720	33,455	14,904 (1)	4.00 - 5.00%	11/15/2014-2029
2008AB Refunding	2008	125,280	103,365	28,099 (2)	0.04 - 0.15%	11/15/2014-2029
2012 Refunding	2012	20,185	19,365	8,275 (1)	2.00 - 5.00%	11/15/2014-2029
2013 Refunding	2014	26,485	26,485	3,913 (1)	2.00 - 5.00%	11/15/2014-2019
			$ 182,670			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.

The Series 2008 A and B refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	JPMorgan Chase Bank, NA	0.42%	Raymond James	0.06%	$ 51,680	10/1/2017
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner& Smith Inc.	0.05%	51,685	10/1/2017
					$ 103,365	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2014. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements

Governmental Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 53,769	39,680	4,287	5,212	10,584	2,442
2016	56,621	37,265	5,234	5,059	10,265	2,204
2017	57,204	35,176	5,476	4,862	9,953	1,959
2018	55,501	32,962	5,720	4,667	9,963	1,671
2019	56,953	30,751	5,968	4,452	8,650	1,381
2020-2024	299,583	115,118	33,720	18,660	17,375	4,533
2025-2029	264,255	51,175	31,987	11,670	10,610	2,136
2030-2034	88,575	7,653	20,323	6,482	6,055	407
2035-2039	--	--	15,915	2,856	--	--
2040-2044	--	--	4,365	281	--	--
	932,461	349,780	132,995	64,201	83,455	16,733
Less: Unamortized bond discounts	(258)	--	--	--	(7)	--
Add: Unamortized bond premiums	42,652	--	2,834	--	1,588	--
Net debt service requirements	974,855	349,780	135,829	64,201	85,036	16,733

Fiscal Year Ended September 30	Total Governmental Debt Service Requirements		
	Principal	Interest	Total
2015	68,640	47,334	115,974
2016	72,120	44,528	116,648
2017	72,633	41,997	114,630
2018	71,184	39,300	110,484
2019	71,571	36,584	108,155
2020-2024	350,678	138,311	488,989
2025-2029	306,852	64,981	371,833
2030-2034	114,953	14,542	129,495
2035-2039	15,915	2,856	18,771
2040-2044	4,365	281	4,646
	1,148,911	430,714	1,579,625
Less: Unamortized bond discounts	(265)	--	(265)
Add: Unamortized bond premiums	47,074	--	47,074
Net debt service requirements	$ 1,195,720	430,714	1,626,434

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 4,302	1,403	983	959	15,370	1,503
2016	4,353	1,209	1,071	933	13,590	1,164
2017	3,406	1,017	1,104	905	11,273	869
2018	3,725	869	1,150	875	9,567	581
2019	3,171	715	1,207	844	7,661	324
2020-2024	12,310	1,580	7,006	3,621	6,875	142
2025-2029	--	--	8,878	2,235	--	--
2030-2034	--	--	3,737	737	--	--
2035-2039	--	--	1,730	254	--	--
2040-2044	--	--	--	--	--	--
	31,267	6,793	26,866	11,363	64,336	4,583
Less: Unamortized bond discounts	(14)	--	--	--	--	--
Add: Unamortized bond premiums	2,448	--	366	--	1,518	--
Net debt service requirements	33,701	6,793	27,232	11,363	65,854	4,583

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)(3)	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	745	371	241,461	4	172,691	195,528
2016	795	342	--	--	190,763	184,554
2017	539	469	--	--	200,104	205,913
2018	545	467	--	--	152,247	213,706
2019	456	575	--	--	153,221	183,898
2020-2024	4,245	950	--	--	931,954	659,499
2025-2029	1,870	118	--	--	950,285	437,086
2030-2034	--	--	--	--	560,405	258,434
2035-2039	--	--	--	--	511,960	130,207
2040-2044	--	--	--	--	268,325	24,836
	9,195	3,292	241,461	4	4,091,955	2,493,661
Less: Unamortized bond discounts	--	--	(5)	--	(3,929)	--
Add: Unamortized bond premiums	--	--	--	--	210,617	--
Net debt service requirements	$ 9,195	3,292	241,456	4	4,298,643	2,493,661

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(Continued)

(2) A portion of these bonds are variable rate bonds with rates ranging from 0.03% to 0.15%.

(3) Portions of these bonds are Special Assessment Revenue Bonds.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-Type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2015	46	56	435,598	199,824	635,422
2016	49	53	210,621	188,255	398,876
2017	52	51	216,478	209,224	425,702
2018	54	48	167,288	216,546	383,834
2019	57	45	165,773	186,401	352,174
2020-2024	333	179	962,723	665,971	1,628,694
2025-2029	427	85	961,460	439,524	1,400,984
2030-2034	117	4	564,259	259,175	823,434
2035-2039	--	--	513,690	130,461	644,151
2040-2044	--	--	268,325	24,836	293,161
	1,135	521	4,466,215	2,520,217	6,986,432
Less: Unamortized bond discounts	--	--	(3,948)	--	(3,948)
Add: Unamortized bond premiums	--	--	214,949	--	214,949
Net debt service requirements	1,135	521	4,677,216	2,520,217	7,197,433

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Austin Energy Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds Principal	Revenue Bonds Interest
2015	$ 149	18	166,461	3	47,904	59,017
2016	122	11	--	--	65,131	56,811
2017	127	9	--	--	53,793	54,201
2018	115	7	--	--	39,431	52,049
2019	109	4	--	--	41,932	47,158
2020-2024	54	2	--	--	249,497	201,952
2025-2029	--	--	--	--	276,642	138,153
2030-2034	--	--	--	--	196,110	79,822
2035-2039	--	--	--	--	175,410	33,440
2040-2044	--	--	--	--	47,400	2,429
	676	51	166,461	3	1,193,250	725,032
Less: Unamortized bond discounts	--	--	(5)	--	(638)	--
Add: Unamortized bond premiums	10	--	--	--	59,774	--
Net debt service requirements	686	51	166,456	3	1,252,386	725,032

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Austin Energy Debt Service Requirements Principal	Total Austin Energy Debt Service Requirements Interest	Total Austin Energy Debt Service Requirements Total
2015	46	56	214,560	59,094	273,654
2016	49	53	65,302	56,875	122,177
2017	52	51	53,972	54,261	108,233
2018	54	48	39,600	52,104	91,704
2019	57	45	42,098	47,207	89,305
2020-2024	333	179	249,884	202,133	452,017
2025-2029	427	85	277,069	138,238	415,307
2030-2034	117	4	196,227	79,826	276,053
2035-2039	--	--	175,410	33,440	208,850
2040-2044	--	--	47,400	2,429	49,829
	1,135	521	1,361,522	725,607	2,087,129
Less: Unamortized bond discounts	--	--	(643)	--	(643)
Add: Unamortized bond premiums	--	--	59,784	--	59,784
Net debt service requirements	$ 1,135	521	1,420,663	725,607	2,146,270

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Austin Water Utility Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 1,016	165	2,033	186	477	238
2016	1,029	123	1,733	146	509	219
2017	856	75	1,527	105	345	300
2018	599	35	1,180	68	349	299
2019	101	7	910	37	292	368
2020-2024	112	7	778	16	2,718	608
2025-2029	--	--	--	--	1,197	76
	3,713	412	8,161	558	5,887	2,108
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	262	--	181	--	--	--
Net debt service requirements	3,975	412	8,342	558	5,887	2,108

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds (2) (3)		Total Austin Water Utility Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	75,000	1	97,176	119,668	175,702	120,258	295,960
2016	--	--	95,541	111,973	98,812	112,461	211,273
2017	--	--	112,221	136,786	114,949	137,266	252,215
2018	--	--	76,467	147,656	78,595	148,058	226,653
2019	--	--	73,920	124,118	75,223	124,530	199,753
2020-2024	--	--	498,717	415,886	502,325	416,517	918,842
2025-2029	--	--	542,618	288,457	543,815	288,533	832,348
2030-2034	--	--	351,455	178,463	351,455	178,463	529,918
2035-2039	--	--	336,550	96,767	336,550	96,767	433,317
2040-2044	--	--	220,925	22,407	220,925	22,407	243,332
	75,000	1	2,405,590	1,642,181	2,498,351	1,645,260	4,143,611
Less: Unamortized bond discounts	--	--	(2,668)	--	(2,668)	--	(2,668)
Add: Unamortized bond premiums	--	--	145,814	--	146,257	--	146,257
Net debt service requirements	$ 75,000	1	2,548,736	1,642,181	2,641,940	1,645,260	4,287,200

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.
(2) Portions of these bonds are variable rate bonds w ith rates of 0.03% to 0.12%.
(3) Portions of these bonds are Special Assessment Revenue Bonds.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Airport Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest
2015	$ 29	4	16,681	10,086
2016	24	3	18,351	9,391
2017	24	2	21,940	8,986
2018	21	1	23,744	8,532
2019	20	1	24,249	7,673
2020-2024	12	1	131,625	23,787
2025-2029	--	--	73,855	2,802
	130	12	310,445	71,257
Less: Unamortized bond discounts	--	--	(432)	--
Add: Unamortized bond premiums	4	--	--	--
Net debt service requirements	134	12	310,013	71,257

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2015	16,710	10,090	26,800
2016	18,375	9,394	27,769
2017	21,964	8,988	30,952
2018	23,765	8,533	32,298
2019	24,269	7,674	31,943
2020-2024	131,637	23,788	155,425
2025-2029	73,855	2,802	76,657
	310,575	71,269	381,844
Less: Unamortized bond discounts	(432)	--	(432)
Add: Unamortized bond premiums	4	--	4
Net debt service requirements	$ 310,147	71,269	381,416

(1) Portions of these bonds are variable rate bonds w ith rates ranging from 0.03% to .14%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Nonmajor Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 3,108	1,216	983	959	13,337	1,317
2016	3,178	1,072	1,071	933	11,857	1,018
2017	2,399	931	1,104	905	9,746	764
2018	2,990	826	1,150	875	8,387	513
2019	2,941	703	1,207	844	6,751	287
2020-2024	12,132	1,570	7,006	3,621	6,097	126
2025-2029	--	--	8,878	2,235	--	--
2030-2034	--	--	3,737	737	--	--
2035-2039	--	--	1,730	254	--	--
	26,748	6,318	26,866	11,363	56,175	4,025
Less: Unamortized bond discounts	(14)	--	--	--	--	--
Add: Unamortized bond premiums	2,172	--	366	--	1,337	--
Net debt service requirements	28,906	6,318	27,232	11,363	57,512	4,025

Fiscal Year Ended September 30	Other Tax Supported Debt		Revenue Bonds (1)		Total Nonmajor Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	268	133	10,930	6,757	28,626	10,382	39,008
2016	286	123	11,740	6,379	28,132	9,525	37,657
2017	194	169	12,150	5,940	25,593	8,709	34,302
2018	196	168	12,605	5,469	25,328	7,851	33,179
2019	164	207	13,120	4,949	24,183	6,990	31,173
2020-2024	1,527	342	52,115	17,874	78,877	23,533	102,410
2025-2029	673	42	57,170	7,674	66,721	9,951	76,672
2030-2034	--	--	12,840	149	16,577	886	17,463
2035-2039	--	--	--	--	1,730	254	1,984
	3,308	1,184	182,670	55,191	295,767	78,081	373,848
Less: Unamortized bond discounts	--	--	(191)	--	(205)	--	(205)
Add: Unamortized bond premiums	--	--	5,029	--	8,904	--	8,904
Net debt service requirements	$ 3,308	1,184	187,508	55,191	304,466	78,081	382,547

(1) A portion of these bonds are variable rate bonds w ith rates ranging from 0.04% to 0.15%.

6 – DEBT AND NON-DEBT LIABILITIES, continued
e -- Defeased Bonds

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2014, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance (1)
General Obligation		
Public Improvement and Refunding Bonds, Series 2005	3/1/2015	$ 66,475
HUD 108 Loan, Series 2006A	8/1/2016	560
HUD 108 Loan, Series 2010A	8/1/2016	985
Austin Water Utility		
Series 2004A	11/15/2014	113,305
Series 2005	5/15/2015	105,780
		$ 287,105

(1) The balances shown have been escrowed to their respective call dates.

7 – RETIREMENT PLANS

a – Description

The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund, the City of Austin Police Officers' Retirement and Pension Fund, and the Fire Fighters' Relief and Retirement Fund of Austin, Texas. An Independent Board of Trustees administers each plan. These plans are Citywide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 2013. Membership in the plans at December 31, 2013, is as follows:

	City Employees	Police Officers	Fire Fighters	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6,050	709	631	7,390
Current employees	8,592	1,732	1,074	11,398
Total	14,642	2,441	1,705	18,788

Each plan provides service retirement, death, disability, and withdrawal benefits. State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Financial reports that include financial statements and supplementary information for each plan are publicly available at the locations shown below.

Plan	Address	Telephone
Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752-3720 www.coaers.org	(512)458-2551
Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 www.ausprs.org	(512)416-7672
Fire Fighters' Relief and Retirement Fund	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 www.afrs.org	(512)454-9567

b -- Funding Policy

	City of Austin Employees' Retirement and Pension Fund	City of Austin Police Officers' Retirement and Pension Fund	Fire Fighters' Relief and Retirement Fund
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.00%	13.00%	17.20% (1)
City's contribution (percent of earnings)	18.00% (2)	21.63%	22.05%

(1) A rate of 17.70% was effective October 1, 2014
(2) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% was effective October 1, 2012.

b -- Funding Policy, continued

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. Contributions for fiscal year ended September 30, 2014, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City	$ 90,842	32,040	18,768	141,650
Employees	40,127	19,242	14,640	74,009
Total contributions	$ 130,969	51,282	33,408	215,659

c -- Annual Pension Cost and Net Pension Obligation (Asset)

The City's annual pension cost of $136,951,000 for the fiscal year ended September 30, 2014, was $4,699,000 less than the City's actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City's Annual Pension Cost (APC)				
2012	$ 85,335	27,246	15,589	128,170
2013	77,682	27,347	17,861	122,890
2014	89,057	32,563	18,903	140,523
Percentage of APC contributed				
2012	85%	102%	100%	N/A
2013	110%	112%	97%	N/A
2014	102%	98%	99%	N/A
Net Pension Obligation (Asset)				
2012	136,255	(4,733)	(2,451)	129,071
2013	128,406	(8,061)	(1,980)	118,365
2014	126,621	(7,538)	(1,845)	117,238

The Net Pension Obligation (Asset) associated with the City Employees' Retirement and Pension Fund, the Police Officers' Retirement and Pension Fund, and the Fire Fighters' Relief and Retirement Fund is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Annual required contribution	$ 86,602	30,133	18,521	135,256
Interest on net pension obligation (asset)	9,951	(440)	(122)	9,389
Adjustment to annual required contribution	(7,496)	2,870	504	(4,122)
Annual pension cost	89,057	32,563	18,903	140,523
Employer contributions	(90,842)	(32,040)	(18,768)	(141,650)
Change in net pension obligation (asset)	(1,785)	523	135	(1,127)
Beginning net pension obligation (asset)	128,406	(8,061)	(1,980)	118,365
Net pension obligation (asset)	$ 126,621	(7,538)	(1,845)	117,238

7 – RETIREMENT PLANS, continued
c -- Annual Pension Cost and Net Pension Obligation (Asset)

The latest actuarial valuations for the City Employees' Retirement and Pension Fund, the Police Officers' Retirement and Pension Fund, and the Austin Fire Fighters' Relief and Retirement Fund were completed as of December 31, 2013. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	City Employees	Police Officers	Fire Fighters
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	3.25%	3.75%	3.5%
Projected Annual Salary Increases	4.5% to 6%	6.5% average	8%
Post Retirement Benefit Increase	None	None	None
Assumed Rate of Return on Investments	7.75%	8%	7.75%
Amortization Method	Level percentage of projected payroll, open	Level percentage of projected payroll, open	Level percentage of projected payroll, open
Remaining Amortization Period	26 years	28.9 years	10.51 years

d -- Schedule of Funding Progress

Information pertaining to the schedule of funding progress for each plan is as follows (in thousands):

Valuation Date, December 31	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2013	$ 2,047,930	2,909,918	861,988	70.4%	490,553	175.7%
Police Officers						
2013	604,842	911,044	306,202	66.4%	147,139	208.1%
Fire Fighters (2)						
2013	742,073	808,771	66,698	91.8%	85,377	78.1%

(1) UAAL - Unfunded Actuarial Accrued Liability
(2) The actuarial study for the Fire Fighters' plan is performed biannually.

The schedule of funding progress, presented as RSI, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

8 – OTHER POST EMPLOYMENT BENEFITS
a -- Description

In addition to the contributions made to the three pension systems, the City provides certain other post employment benefits to its retirees. Other post employment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post employment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other post employment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other post employment benefits for retirees or their dependents. Allocation of City funds to pay other post employment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

8 – OTHER POST EMPLOYMENT BENEFITS, continued

a – Description, continued

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

The estimated pay-as-you-go cost of providing medical and life benefits was $33.3 million for 4,189 retirees in 2014 and $26.9 million for 3,945 retirees in 2013.

b -- Annual Other Post employment Benefits (OPEB) Cost and Net OPEB Obligation

The annual OPEB cost associated with the City's retiree benefits for the fiscal year ended September 30, 2014 is as follows (in thousands):

	OPEB
Annual required contribution	$ 139,900
Interest on net OPEB obligation	24,941
Adjustment to annual required contribution	(39,980)
Annual OPEB cost	124,861
Contributions made	(33,283)
Change in net OPEB obligation	91,578
Beginning net OPEB obligation	598,687
Net OPEB obligation	$ 690,265

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years are as follows (in thousands):

Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$134,082	18%	$ 493,051
2013	132,595	20%	598,687
2014	124,861	27%	690,265

c -- Schedule of Funding Progress at September 30, 2014 (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
$ --	1,471,844	1,471,844	0%	734,710	200.3%

(1) UAAL - Unfunded Actuarial Accrued Liability

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

d -- Actuarial Methods and Assumptions

Projections of benefits are based on the plan in place at the time of the valuation and include the type of benefits provided at the valuation date and the cost sharing pattern between the employer and plan members at that time. The actuarial calculations of the OPEB plan reflect a long-term perspective and utilize actuarial methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

8 – OTHER POST EMPLOYMENT BENEFITS, continued
e -- Funding Policy

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	OPEB
Actuarial Valuation Date	October 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Investment Rate of Return	4.21%
Inflation Rate	N/A
Salary Increase	None
Payroll Increase	None
Health Care Cost Trend Rate	8.0% in 2013, decreasing 0.5% per year for seven years to an ultimate trend of 5.0% in 2019

9 – DERIVATIVE INSTRUMENTS

The City has derivatives in two hedging programs: Energy Risk Management Program and Variable Rate Debt Management Program.

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position, and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, swaps and congestion rights for the purpose of reducing exposure to natural gas, energy and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

Hedging Derivative Instruments

Natural Gas Derivatives
Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options are calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Premiums paid for options are deferred until the contract is settled. As of September 30, 2014, $469 thousand in premiums was deferred. As of September 30, 2014, the fair value of Austin Energy's futures, options, swaps and congestion rights, was an unrealized loss of $26.2 million, of which $30 million is reported as derivative instruments in liabilities and $4.2 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the balance sheet using deferred outflows and deferred inflows.

Congestion Revenue Rights Derivatives
Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2014, PCRRs had a fair value of $0 and CRRs had a fair value of $308 thousand and, both are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

On September 30, 2014, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2014: Maturity Dates	Notional Volumes		Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Jan 2015 - Sep 2018	10,370,518	(1)	$ 3,923	2,609	2,490
Long	OTC Put Options	Henry Hub	Oct 2014 - Dec 2014	1,540,000	(1)	10	10	-
n/a	Congestion Rights	ICE (2)	Oct 2014 - June 2016	20,489,148	(3)	308	(1,774)	-
			Derivative instruments (assets)			4,241	845	2,490
Short	OTC Call Options	Henry Hub	Apr 2016 - Oct 2016	(1,660,000)	(1)	(726)	81	-
Short	OTC Put Options	Henry Hub	Oct 2014 - Sep 2018	(10,680,000)	(1)	(3,986)	(2,673)	(2,021)
Long	OTC Swaps	Henry Hub	Oct 2014 - Sep 2018	33,112,500	(1)	(25,790)	(1,441)	-
			Derivative instruments (liabilities)			(30,502)	(4,033)	(2,021)
			Total			$ (26,261)	(3,188)	469

(1) Volume in MMBTUs
(2) IntercontinentalExchange
(3) Volume in MWHs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to fuel expense in the period realized.

Risks

Credit Risk. Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's fuel derivative contracts expose Austin Energy to custodial credit risk on Exchange Traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the brokerages to fail to meet their obligations given their high credit ratings and the strict and deep credit requirements upheld by NYMEX, which these brokerage houses are members. At September 30, 2014, the brokerages had credit ratings of A and A+.

The over-the-counter agreements expose Austin Energy to credit risk. In the event of default Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit ratings. At September 30, 2014, the two counterparties both had credit ratings of A. The contractual provisions under the International Swaps and Derivatives Association (ISDA) agreement applied to these contracts include collateral provisions. At September 30, 2014, no collateral was required under these provisions.

9 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

The congestion rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default of nonperformance, Austin Energy's operations will not be materially affected. However, Austin Energy does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the counter agreements is minimal due to the high credit rating of the counterparties and the contractual provisions under the ISDA agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivatives up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). As of September 30, 2014, the NYMEX price was $3.98 per MMBTU, the WAHA Hub price was $3.77 per MMBTU, Katy was $3.98 per MMBTU, and the HSC Hub price was $3.96 per MMBTU.

Investment Derivative Instruments

On September 30, 2014, Austin Energy had the following closed out investment derivative instruments (in thousands):

			Fair Value at September 30, 2014			
Type of Transaction		**Reference Index**	**Maturity Dates**	**Volumes in MMBTU**	**Fair Value**	**Change in Fair Value**
Long	OTC Swaps	Henry Hub	Dec 2015	155,000	$ 2	(16)
Short	OTC Swaps	Henry Hub	Dec 2015	(155,000)	7	16
					$ 9	--

In fiscal year 2014 Austin Energy sold PCRRs and recorded a gain of $519 thousand. However, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2014, $1.1 million remained deferred.

<u>Risks</u>

As of September 30, 2014, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2014, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling $602.1 million and $443.3 million, respectively. The mark-to-market or fair value for each swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the London Interbank Offered Rate (LIBOR) swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

On September 30, 2014, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
Business-Type Activities - Hedging derivatives:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	$ 125,120	(15,027)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	214,825	(32,514)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of LIBOR	8/14/2008	11/15/2029	103,365	(12,394)
					$ 443,310	(59,935)

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2014 (in thousands):

	Outstanding	Fair Value and Classification		Change in fair value	
	Notional			Deferred	Deferred
Item	Amount	Amount	Classification	Outflows	Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 125,120	(15,027)	Non-current liability	(1,905)	--
AIR1	214,825	(32,514)	Non-current liability	3,464	--
HOT1	103,365	(12,394)	Non-current liability	155	--
	$ 443,310	(59,935)		1,714	--

Due to the continued low interest rate levels during fiscal year 2014, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2014. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

Risks

Credit risk. As of September 30, 2014, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2014 are included in the table below:

			Counterparty Ratings		
Item	**Related Variable Rate Bonds**	**Counterparty**	**Moody's Investors Service, Inc**	**Standard & Poor's**	**Fitch, Inc**
Business-Type Activities:					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A2	A-	A
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, Inc.	Baa2	A-	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products	A3	A	A+

Swap agreements for all three swaps contain collateral agreements with the counterparties. These swap agreements require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreements. For Swap AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

Swap payments and associated debt. The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2014, are included in the table below (in thousands):

			Counterparty Swap Interest			Interest to	Net Interest
Item	**Related Variable Rate Bonds**		**Pay**	**Receive**	**Net**	**Bondholders**	**Payments**
Business-Type Activities:							
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	$	(4,818)	79	(4,739)	(72)	(4,811)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005		(8,803)	253	(8,550)	(158)	(8,708)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008		(3,405)	111	(3,294)	(73)	(3,367)
		$	(17,026)	443	(16,583)	(303)	(16,886)

Basis and interest rate risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The City does not bear basis risk on Swap WW2. At September 30, 2014, the City bears basis risk on the two remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

9 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Tax risk. Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk. The City or the counterparties may terminate any of the swaps if the other party falls to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased swap insurance on the Swap AIR1 to further reduce the possibility of termination risk.

Rollover risk. The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2014, the City did not have any investment derivative instruments related to interest rate swaps.

As of September 30, 2014, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable-Rate Bonds (in thousands) Principal	Interest	Interest Rate Swaps, Net	Total Interest
2015	$ 30,520	125	15,506	15,631
2016	23,820	116	14,561	14,677
2017	12,255	111	14,028	14,139
2018	12,600	107	13,588	13,695
2019	28,525	98	12,637	12,735
2020-2024	169,940	346	45,290	45,636
2025-2029	129,910	101	14,857	14,958
2030-2031	35,740	5	1,203	1,208
Total	$ 443,310	1,009	131,670	132,679

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2014, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Fiscal Surety - Land Development	$ 11
Neighborhood Housing & Conservation	8,150
Mueller Development	6
Rutherford Lane Facility	81
Capital Projects Funds:	
Funds authorized in 1992	
Street & traffic signals	8
Parks and recreation facilities	288
Libraries	17
Funds authorized in 1997	
Radio Trunking	47
Funds authorized in 2006	
Central Library	3,018
Funds authorized in 2010	
Mobility	5,441
Funds authorized in 2012	
Transportation	6,636
Open Space	9,194
Parks	5,425
Public Safety	443
Health	726
Other Funds	
Planning & development improvements	1
General government projects	10,488
Health projects	243
Build Austin	5
Park improvements	889
Capital Reserve	1,200
Public Works	1,360
Watershed Protection	699
City Hall, plaza, parking garage	7,032
Conservation Land	15
Waller Creek Tunnel	9,158
Nonmajor Enterprise	
Austin Resource Recovery	18,956

11 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2014, are as follows (in thousands):

Receivable Fund	Payable Fund	Amount Current	Amount Advances
Governmental funds:			
General Fund	Nonmajor governmental funds	$ 227	--
Nonmajor governmental funds	General Fund	60	--
	Nonmajor governmental funds	81,230	--
	Austin Water Utility	--	1,879
	Nonmajor enterprise funds	--	368
	Internal service funds	--	2
Internal Service funds	Nonmajor governmental funds	11	115
Enterprise funds:			
Austin Energy	General Fund	193	1,257
	Nonmajor governmental funds	--	238
	Austin Water Utility (restricted)	--	17,028
	Airport	149	972
	Nonmajor enterprise funds	332	338
	Internal service funds	13	--
Austin Water Utility	Nonmajor enterprise funds	301	3,006
Airport (restricted)	Nonmajor governmental funds	--	58
Nonmajor enterprise funds	Nonmajor enterprise funds	8,777	--
Nonmajor enterprise funds (restricted)	Nonmajor governmental funds	--	588
		$ 91,293	25,849

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, $14.3 million and $9.4 million are interfund loans from the Fiscal Surety Fund and Waller Creek Reserve Fund, special revenue funds, respectively, to cover deficit pooled investments and cash in grant and other special revenue funds. The above current amount also includes $57.5 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2014 were as follows (in thousands):

	Transfers In							
Transfers Out	General Fund	Nonmajor Governmental	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Internal Service	Total
General Fund	$ --	10,809	1,531	14,300	--	875	--	27,515
Nonmajor governmental funds	1,626	21,333	--	--	--	61,061	2,850	86,870
Austin Energy	116,771	--	--	--	--	--	64	116,835
Austin Water Utility	43,701	175	--	--	--	--	246	44,122
Airport	--	--	448	--	--	--	345	793
Nonmajor enterprise funds	524	7,838	--	3,607	--	--	62	12,031
Internal service funds	--	19,091	--	73	3	1,095	1,826	22,088
Total transfers out	$ 162,622	59,246	1,979	17,980	3	63,031	5,393	310,254

Interfund transfers are authorized through City Council approval. Significant transfers include Austin Energy and Austin Water Utility transfers to the General Fund, which are comparable to a return on investment to owners, and the transfer of hotel occupancy and vehicle rental tax collections from the Hotel-Motel Occupancy Tax and the Vehicle Rental Tax Funds to the Convention Center Fund.

12 – SELECTED REVENUES
a -- Major Enterprise Funds

Austin Energy and Austin Water Utility

The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 3, 2014, the PUC approved the City's most recent wholesale transmission rate of $1.160111/KW. Transmission revenues totaled approximately $69 million in 2014. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2014, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual power supply costs differ from amounts billed to customers, then deferred or unbilled revenues are recorded by Austin Energy. The power supply factor is reviewed annually or when over- or under-recovery is more than 10% of expected power supply costs. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

Airport

The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2014, the Airport fund revenues included minimum concession guarantees of $17,524,129.

The following is a schedule by year of minimum future rentals on noncancelable operating leases with remaining terms of up to ten years for the Airport Fund as of September 30, 2014 (in thousands):

Fiscal Year Ended September 30	Enterprise Airport Lease Receipts
2015	$ 13,543
2016	4,508
2017	2,330
2018	81
2019	5
2020-2021	6
Totals	$ 20,473

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period January 1, 2010 through December 31, 2015. The minimum rent is adjusted every five years commensurate with the percentage increase in the Consumer Price Index (CPI) – Urban Wage Earners and Clerical workers, U.S. Owner Average, published by the U.S. Department of Labor Bureau of Labor Statistics over the five-year period.

b – Operating Lease Revenue

The City has entered into various lease agreements as the lessor of office space, antenna space and ground leases. Minimum guaranteed income on these non-cancelable operating leases is as follows (in thousands):

Fiscal Year Ended September 30	Future Lease Receivables
2015	$ 1,269
2016	1,177
2017	453
2018	459
2019	433
2020-2021	2,173
Totals	$ 5,964

13 – COMMITMENTS AND CONTINGENCIES

a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

Austin Energy's investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was $29.8 million as of September 30, 2014. The decrease in the pro-rata interest from 2013 is primarily due to a decrease in coal inventory. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2014, Austin Energy's investment in the STP was approximately $399 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

STP requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The current licenses expire in 2027 and 2028, respectively. The NRC decided to stop all licensing activities that rely on the Waste Confidence Decision and Rule until burial waste issues are resolved.

c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted investments held by trustee. The related liability is reported as a decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. At September 30, 2014, the trust's assets were in excess of the estimated liability by $20.5 million which is reported as part of deferred inflows of resources (in thousands):

Decommissioning trust assets	$ 194,945
Pro rata decommissioning liability	(174,398)
	$ 20,547

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2012, showed that the trust assets exceeded the minimum required assurance by $25.6 million.

13 – COMMITMENTS AND CONTINGENCIES, continued

d -- Purchased Power

Austin Energy has commitments totaling $5.9 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2020, biomass through 2032, and solar through 2036.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Seaholm Power Plants. The financial statements include a liability of approximately $8.8 million at September 30, 2014. Austin Energy anticipates payment of these costs in 2015. The amount is based on 2014 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Water Utility closed the Green Water Treatment Plant (GWTP) on September 23, 2008. The total decommissioning cost to close the GWTP was $10.6 million. Plant decommissioning reached final completion in fiscal year 2012. During fiscal year 2013, redevelopment activities of the former GWTP site triggered the recognition of an additional $3.1 million in environmental liabilities related to additional remediation of the site. The financial statements include a liability of approximately $3.1 million at September 30, 2014. Austin Water Utility anticipates payment of these costs in 2015. The amount is based on 2014 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Resource Recovery may incur costs for environmental remediation of certain sites outside of the City's landfill site. The financial statements include a liability of approximately $1.9 million at September 30, 2014, for sites related to Harold Court, Rosewood and Loop 360. Austin Resource Recovery anticipates payment of these costs in 2015. The amount is based on 2014 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2014.

g -- Federal and State Financial Assistance Programs

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development Department, U.S. Health and Human Services Department, and U.S. Department of Transportation. The City's programs are subject to program compliance audits by the granting agencies. Management believes that no material liability will arise from any such audits.

h -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2014 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

The key projects in progress include improvements to and development of the electric system, water and wastewater systems, airport, transportation infrastructure, public recreation and culture activities, and urban growth management activities. Remaining commitments represent current unspent budget and future costs required to complete projects.

13 – COMMITMENTS AND CONTINGENCIES, continued

h -- Capital Improvement Plan, continued

Project (in thousands)	Remaining Commitment
Governmental activities:	
General government	$ 74,143
Public safety	18,680
Transportation	94,977
Public health	559
Public recreation and culture	95,791
Urban growth management	55,223
Business-type activities:	
Electric	361,772
Water	241,115
Wastewater	106,385
Airport	171,915
Convention	19,773
Environmental and health services	23,256
Urban growth management	69,548
Total	$ 1,333,137

i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2014, is as follows (in thousands):

	Encumbrances
General Fund	$ 10,886
Nonmajor governmental	
Special Revenue	19,092
Capital Projects	207,488
	$ 237,466

Significant encumbrances include reservations for the 2000 bond program ($12,858), the 2006 bond program ($78,287), the 2012 bond program ($17,893), and the Waller Creek Tunnel project ($23,124).

j -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Drought conditions have delayed final closure, which is expected to occur in fiscal year 2015. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2014, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 15,933	9,899	25,832
% capacity used	100%	100%	100%
Cumulative liability accrued	15,933	9,899	25,832
Costs incurred	(15,897)	--	(15,897)
Closure and postclosure liability	$ 36	9,899	9,935

13 – COMMITMENTS AND CONTINGENCIES, continued
j -- Landfill Closure and Postclosure Liability, continued

These amounts are based on the 2014 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

k -- Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO or HMO for health coverage. Approximately 28% of city employees and 34% of retirees use the HMO option; approximately 72% of city employees and 66% of retirees use the PPO option. Costs are charged to city funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other city funds each year based on historical costs.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

The City purchases stop-loss insurance for the City's PPO and HMO. This stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $5 million. In fiscal year 2014, sixteen claims exceeded the stop-loss limit of $500,000; during fiscal year 2013, nine claims exceeded the stop-loss limit of $500,000, and during fiscal year 2012, five claims exceeded the stop-loss limit of $500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last three years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Liability Reserve Fund are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from $43.8 to $58.1 million. In accordance with GAAP, $43.8 million is recognized as claims payable in the financial statements with $23.7 million recognized as a current liability and $20.1 million recognized as long term. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

Changes in the balances of claims liability are as follows (in thousands):

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2014	2013	2014	2013	2014	2013
Liability balances, beginning of year	$ 10,920	10,304	10,123	6,324	18,839	17,591
Claims and changes in estimates	10,832	9,677	5,195	5,547	5,950	6,870
Claim payments	(10,053)	(9,061)	(4,737)	(1,748)	(3,263)	(5,622)
Liability balances, end of year	$ 11,699	10,920	10,581	10,123	21,526	18,839

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $3.6 million discounted at 4.45% in 2014 and $3.5 million discounted at 4.85% in 2013.

13 – COMMITMENTS AND CONTINGENCIES, continued
l – Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus is currently developing and marketing the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, issues debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which are supported by taxes generated from this development.

In September 2006, the MLGC issued debt in the amount of $12 million. Proceeds of the debt have been used to reimburse the developer for eligible infrastructure such as streets, drainage, and parks. Debt service payments are funded through an economic development grant from the City of Austin, and supported by sales tax proceeds from the development.

In October 2009, the MLGC issued debt in the amount of $15 million. Proceeds of the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

In October 2012, the MLGC issued debt in the amount of $16,735,000. Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 1.33 million square feet of civic, institutional, hotel and Class A office space and approximately 532,900 square feet of retail space that is either complete or under construction. Over 75 employers provide approximately 4,800 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2014, approximately 1,224 single-family homes and 1,222 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 133 single-family homes.

m -- No-Commitment Special Assessment Debt

In November 2011, the City issued $15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 3014. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2014 are $15,500,000 and $9,979,043, respectively.

In November 2011, the City issued $2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 3014. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2014 are $2,860,000 and $847,523, respectively.

In July 2013, the City issued $12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 3014. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2014 are $12,590,000 and $3,392,581, respectively.

13 – COMMITMENTS AND CONTINGENCIES, continued

n – Capital Leases

The City has entered into a lease agreement to finance equipment for business-type activities. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at their inception date. The lease agreement ends in 2031. See Note 6 for the debt service requirements on this lease.

The following summarizes capital assets recorded at September 30, 2014, under capital lease obligations (in thousands):

	Business-type Activities
Capital Assets	**Austin Energy**
Building and improvements	$ 1,405
Accumulated depreciation	(422)
Net capital assets	$ 983

o – Operating Leases

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2014, was $16.9 million.

Fiscal Year Ended September 30	Future Lease Payments
2015	$ 11,964
2016	9,312
2017	8,524
2018	5,735
2019	3,560
2020-2021	10,048
Totals	$ 49,143

14 – LITIGATION

A number of claims and lawsuits against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and city management are of the opinion that settlement of these claims and lawsuits will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2014. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year-end.

15 – CONDUIT DEBT

The City has issued several series of housing revenue bonds to provide for low cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2014, $87.3 million in housing revenue bonds were outstanding with an original issue value of $93.7 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2014, $147.6 million in revenue and revenue refunding bonds were outstanding with an original issue value of $148.6 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

16 – SEGMENT INFORMATION – CONVENTION CENTER

The Convention Center provides event facilities and services to its customers. Below are the condensed financial statements for this segment (in thousands):

Condensed Statement of Net Position

ASSETS	
Current assets	$ 82,713
Capital assets	248,809
Other noncurrent assets	13,343
Total assets	344,865
Deferred outflows of resources	25,305
LIABILITIES	
Due to other funds	332
Other current liabilities	19,390
Advances from other funds	338
Other noncurrent liabilities	222,276
Total liabilities	242,336
Deferred inflows of resources	348
NET POSITION	
Net investment in capital assets	44,874
Restricted	31,344
Unrestricted	51,268
Total net position	$ 127,486

Condensed Statement of Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES	
User fees and rentals	$ 25,087
Total operating revenues	25,087
OPERATING EXPENSES	
Operating expenses before depreciation	42,473
Depreciation and amortization	8,941
Total operating expenses	51,414
Operating income (loss)	(26,327)
Nonoperating revenues (expenses)	(7,620)
Capital contributions	57
Transfers	57,611
Change in net position	23,721
Total net position - beginning, as restated	103,765
Total net position - ending	$ 127,486

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ (16,294)
Noncapital financing activities	57,286
Capital and related financing activities	(21,518)
Investing activities	(351)
Net increase (decrease) in cash and cash equivalents	19,123
Cash and cash equivalents, October 1	51,852
Cash and cash equivalents, September 30	$ 70,975

17 – DISCRETELY PRESENTED COMPONENT UNITS

Condensed financial information is included below for the discretely presented component units of the City. See Note 1 for the additional information about how to obtain the complete financial statements of these organizations. The most recently available financial statements for Austin Bergstrom Landhost Enterprises, Inc and Austin Convention Enterprises, Inc. are for the year ended December 31, 2013. The condensed financial statements of Waller Creek Local Government Corp. are presented for the year ended September 30, 2014 (in thousands):

Condensed Combining Statement of Net Position

	Austin Bergstrom Landhost Enterprises, Inc.	Austin Convention Enterprises, Inc.	Waller Creek Local Government Corp.	Total
ASSETS				
Current assets	$ 844	7,752	--	8,596
Capital assets	25,608	167,667	--	193,275
Noncurrent assets	3,806	74,702	--	78,508
Total assets	30,258	250,121	--	280,379
Deferred outflows of resources	--	20,241	--	20,241
LIABILITIES				
Current Liabilities	10,538	14,736	--	25,274
Bonds payable, net of discount and inclusive of premium	54,784	270,971	--	325,755
Noncurrent liabilities	--	37	--	37
Total liabilities	65,322	285,744	--	351,066
NET POSITION				
Net investment in capital assets	(29,175)	(77,050)	--	(106,225)
Restricted	--	5,181	--	5,181
Unrestricted (deficit)	(5,889)	56,487	--	50,598
Total net position	$ (35,064)	(15,382)	--	(50,446)

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position

	Austin Bergstrom Landhost Enterprises, Inc.	Austin Convention Enterprises, Inc.	Waller Creek Local Government Corp.	Total
OPERATING REVENUES				
User fees and rentals	$ 15,498	72,914	--	88,412
Contributions	--	--	150	150
Total operating revenues	15,498	72,914	150	88,562
OPERATING EXPENSES				
Operating expenses before depreciation	12,434	39,019	150	51,603
Depreciation and amortization	1,316	6,213	--	7,529
Total operating expenses	13,750	45,232	150	59,132
Operating income (loss)	1,748	27,682	--	29,430
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues (expenses)	(4,076)	(17,074)	--	(21,150)
Change in net position	(2,328)	10,608	--	8,280
Total net position - beginning, as restated	(32,736)	(25,990)	--	(58,726)
Total net position - ending	$ (35,064)	(15,382)	--	(50,446)

18 – RESTATEMENT AS A RESULT OF THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD

During fiscal year 2014, the City implemented a new accounting standard, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which established standards of accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities to deferred outflows or inflows of resources, and recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources. As a result of implementing GASB Statement No. 65, net position was restated at October 1, 2013. The City is reporting the deferred loss on bond refunding as a deferred outflow and the deferred gain on bond refunding as a deferred inflow. Bond issuance costs are expensed and no longer amortized annually.

	Exhibit A-2	
September 30, 2013	**Governmental Activities**	**Business-Type Activities**
Net position, as previously reported	$ 1,355,433	3,197,015
Adjustments to properly record:		
Implementation of GASB Statement No. 65	(8,909)	(6,662)
Net position, as restated	$ 1,346,524	3,190,353

	Exhibit C-2			
September 30, 2013	**Airport**	**Nonmajor Enterprise Funds**	**Business-Type Activities**	**Governmental Activities-Internal Service Funds**
Net position, as previously reported	$ 514,948	362,265	3,169,171	128,682
Adjustments to properly record:				
Implementation of GASB Statement No. 65	(2,413)	(4,249)	(6,662)	(11)
Net position, as restated	$ 512,535	358,016	3,162,509	128,671

19 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2014, the City issued $89,915,000 of Public Improvement Bonds, Series 2014. The net proceeds of $104,620,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals ($54,685,000), watershed protection improvements ($10,000,000), parks and recreation ($8,310,000), central library ($20,000,000), and facility improvements ($11,625,000). These bonds will be amortized serially on September 1 of 2015 and 2017, then each year on September 1 from 2020 to 2034. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2015. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are $69,693,650.

In October 2014, the City issued $35,490,000 of Certificates of Obligation, Series 2014. The net proceeds of $40,450,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($15,000,000), Waller Creek Tunnel ($25,000,000) and street improvements ($450,000). These certificates of obligation will be amortized serially on September 1 of each year from 2015 to 2034. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2015. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $19,927,600.

In October 2014, the City issued $14,100,000 of Public Property Finance Contractual Obligations, Series 2014. The net proceeds of $15,800,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water and wastewater utility capital equipment ($900,000), public works capital equipment ($2,300,000), transportation capital equipment ($1,845,000) and network equipment ($10,755,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2015 to 2021. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2015. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are $2,836,458.

In October 2014, the City issued $10,000,000 of Public Improvement Taxable Bonds, Series 2014. The net proceeds of $9,844,936 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. Interest is payable March 1 and September 1 of each year from 2015 to 2034, commencing on March 1, 2015. Principal payments are due September 1 of each year from 2015 to 2034. Total interest requirements for this obligation, at rates ranging from 0.4% to 4.0% are $5,806,156.

19 – SUBSEQUENT EVENTS, continued
a -- General Obligation Bond Issue, continued

In October 2014, the City issued $9,600,000 of Certificates of Obligation Bonds, Taxable Series 2014. The net proceeds of $9,449,004 (after issue costs, discounts, and premiums) from the issuance were used for Grey Rock Golf Course & Improvements. Interest is payable March 1 and September 1 of each year from 2015 to 2034, commencing on March 1, 2015. Principal payments are due September 1 of each year from 2015 to 2034. Total interest requirements for this obligation, at rates ranging from 0.4% to 3.9%, are $4,002,858.

b -- Mueller Local Government Corporation – Revenue Bond Issue

In October 2014, the City issued $15,845,000 of Tax Increment Contract Revenue Bonds, Series 2014. The net proceeds of $18,492,042 (after issue costs, discounts, and premiums) were used to reimburse the developer of Mueller for additional eligible infrastructure costs such as streets, drainage, and parks. The debt service requirements on the bonds are $24,217,550 with interest rates ranging from 2.0% to 5.0%. Interest payments are due March 1 and September 1 of each year from 2015 to 2029. Principal payments are due September 1 of each year from 2015 to 2029.

c -- Airport – System Revenue Bond Issue

In January 2015, the City issued $244,495,000 of Airport System Revenue Bonds, Series 2014. The net proceeds of $216,378,075 (after issue costs, discounts, and premiums) from the issuance are being used for designing and constructing improvements to Austin-Bergstrom International Airport. Interest is payable May 15 and November 15 of each year from 2015 to 2044, commencing on May 15, 2015. Principal payments are due November 15 of each year from 2026 to 2044. Total interest requirements for this obligation, at a rate of 5%, are $272,662,118.

d -- Change in City Council structure

As described in Note 1, the voters approved a charter amendment on November 6, 2012, which provides for the election of City Councilmembers from 10 geographical single-member districts, with the mayor to be elected at large. The election was also moved from May to the November general election. The first election for this new process occurred in November 2014. On January 6, 2015, a new Mayor and Councilmembers were sworn in under this new Council structure. The size of the City Council has grown from 7 to 11. The Mayor and Councilmembers serve four-year staggered terms rather than three, and they may serve a maximum of two consecutive terms. Currently half of the Councilmembers are serving a two-year term as a part of the transition to this new structure. Here are the newly elected officials.

Steve Adler, Mayor
Term expires January 2019

Kathie Tovo, Mayor Pro Tem (District 9)
Term expires January 2019

Council Members

Ora Houston (District 1) Term expires January 2019	**Delia Garza (District 2)** Term expires January 2017
Sabino "Pio" Renteria (District 3) Term expires January 2019	**Gregorio "Greg" Casar (District 4)** Term expires January 2017
Ann Kitchen (District 5) Term expires January 2019	**Don Zimmerman (District 6)** Term expires January 2017
Leslie Pool (District 7) Term expires January 2017	**Ellen Troxclair (District 8)** Term expires January 2019

Sheri Gallo (District 10)
Term expires January 2017

REQUIRED SUPPLEMENTARY INFORMATION

Austin
ESTD ★ 1839
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General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2014
(In thousands)

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	537,138	100	537,238	524,011	524,011	13,227
Franchise fees	37,407	4	37,411	33,268	33,268	4,143
Fines, forfeitures and penalties	17,130	(1)	17,129	16,555	16,555	574
Licenses, permits and inspections	33,719	(13)	33,706	25,289	25,224	8,482
Charges for services/goods	57,974	(1,046)	56,928	51,575	51,802	5,126
Interest and other	9,335	(5,251)	4,084	3,483	3,483	601
Total revenues	692,703	(6,207)	686,496	654,181	654,343	32,153
EXPENDITURES						
General government						
Municipal Court	14,610	227	14,837	15,012	15,012	175
Public safety						
Police	290,030	(25)	290,005	295,538	295,538	5,533
Fire	142,209	293	142,502	142,413	142,413	(89)
Emergency Medical Services	61,429	734	62,163	60,756	63,143	980
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	(6)	6	--	--	--	--
Public health						
Health	54,196	(3,216)	50,980	51,352	51,352	372
Public recreation and culture						
Parks and Recreation	58,449	615	59,064	59,933	59,933	869
Austin Public Library	31,043	350	31,393	31,448	31,448	55
Urban growth management						
Neighborhood Planning and Zoning	27,195	175	27,370	27,654	27,654	284
Other Urban Growth Management	30,130	3,207	33,337	35,020	34,137	800
General city responsibilities (4)	97,951	(81,583)	16,368	19,005	19,005	2,637
Total expenditures	807,236	(79,217)	728,019	738,131	739,635	11,616
Excess (deficiency) of revenues over expenditures	(114,533)	73,010	(41,523)	(83,950)	(85,292)	43,769
OTHER FINANCING SOURCES (USES)						
Transfers in	162,622	35,231	197,853	200,555	198,393	(540)
Transfers out	(27,515)	(104,099)	(131,614)	(117,075)	(115,899)	(15,715)
Total other financing sources (uses)	135,107	(68,868)	66,239	83,480	82,494	(16,255)
Excess (deficiency) of revenues and other sources over expenditures and other uses	20,574	4,142	24,716	(470)	(2,798)	27,514
Special item - land sale	15,830	--	15,830	--	--	15,830
Fund balance at beginning of year	147,092	3,205	150,297	53,172	75,791	74,506
Fund balance at end of year	183,496	7,347	190,843	52,702	72,993	117,850

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on the modified accrual basis. Encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

The General Fund, as reported in the financial statements is comprised of six separately budgeted funds: the General Fund, as budgeted by the City plus the Economic Incentives Reserve, Music Venue Assistance Program, Neighborhood Housing and Community Development, Economic Development, and Sustainability activities.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes the following: tuition reimbursement ($465,000), accrued payroll ($3,228,492), expenditures for workers' compensation ($7,703,202), liability reserve ($2,500,000), public safety ($4,108,805), and customer service call center ($1,000,000).

b -- Budget Amendments

The original revenue budget of the General Fund was amended during the fiscal year 2014 to increase Emergency Medical Services charges for services. The original expenditure budget of the General Fund was amended during fiscal year 2014 primarily as the result of increased Emergency Medical Services costs. In addition, transfers from the General Fund to the Economic Incentives Reserve Fund were reduced. The original and final budget is presented in the accompanying schedule.

c -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the reporting of encumbrances and the reporting of certain transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the activities comprising the General Fund are provided, as follows (in thousands):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 20,574
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(2,122)
Net compensated absences accrual	(327)
Outstanding encumbrances established in current year	(10,017)
Payments against prior year encumbrances	6,485
Other	10,123
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 24,716

RETIREMENT PLANS-TREND INFORMATION

Information pertaining to the latest actuarial valuation for each plan is as follows (in thousands):

Valuation Date, December 31	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2011	$ 1,790,900	2,723,800	932,900	65.7%	451,800	206.5%
2012	1,897,700	2,968,400	1,070,700	63.9%	470,200	227.7%
2013	2,047,930	2,909,918	861,988	70.4%	490,553	175.7%
Police Officers						
2011	553,702	815,259	261,557	67.9%	134,844	194.0%
2012	558,476	856,577	298,101	65.2%	141,561	210.6%
2013	604,842	911,044	306,202	66.4%	147,139	208.1%
Fire Fighters (2)						
2009	589,261	664,185	74,924	88.7%	78,980	94.9%
2011	651,557	746,143	94,586	87.3%	76,700	123.3%
2013	742,073	808,771	66,698	91.8%	85,377	78.1%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)
(2) The actuarial study for the Fire Fighters' plan is performed biannually.

Information on where to obtain financial statements and supplementary information for each plan can be found in Footnote 7.

OTHER POST EMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other post employment benefits program every other year. The Schedule of Funding Progress for other post employment benefits is as follows (in thousands):

Fiscal Year Ended September 30	Valuation Date, October 1	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
2012	2010	$ --	1,499,465	1,499,465	0.0%	668,679	224.2%
2013	2012	--	1,384,490	1,384,490	0.0%	696,559	198.8%
2014	2012	--	1,471,844	1,471,844	0.0%	734,710	200.3%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)

Supplementary information for the OPEB plan can be found in Footnote 8.

APPENDIX C

Forms of Bond Counsel's Opinions

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ANDREWS KURTH LLP
ATTORNEYS

111 Congress, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

October 6, 2015

WE HAVE ACTED as Bond Counsel for the City of Austin, Texas (the "City"), in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF AUSTIN, TEXAS, PUBLIC IMPROVEMENT AND REFUNDING BONDS, SERIES 2015, dated October 1, 2015, in the aggregate principal amount of $236,905,000, maturing on September 1 in each year from 2016 through and including 2035. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds, the ordinance (the "Bond Ordinance") adopted by the City Council of the City authorizing their issuance and the Pricing Certificate dated as of September 10, 2015 (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance").

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion 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 of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the "Refunded Obligations") with a portion of the proceeds of the Bonds, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City and Wilmington Trust, N.A. (the "Escrow Agent"); the report (the "Report") of The Arbitrage Group, Inc. (the "Verification Agent"), which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Obligations and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations. We have also examined executed Bond No. T-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and

(3) The escrow agreement between the City and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the ordinances authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and, therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC), or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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ANDREWS KURTH LLP
ATTORNEYS

111 Congress, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

October 6, 2015

WE HAVE ACTED as Bond Counsel for the City of Austin, Texas (the "City") in connection with an issue of certificates of obligation (the "Certificates") described as follows:

> CITY OF AUSTIN, TEXAS, CERTIFICATES OF OBLIGATION, SERIES 2015, dated October 1, 2015, in the aggregate principal amount of $43,710,000, maturing on September 1 in each year from 2016 through and including 2035. The Certificates are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates, the ordinance (the "Certificate Ordinance") adopted by the City Council of the City authorizing their issuance and the Pricing Certificate dated as of September 10, 2015 (the "Pricing Certificate" and, together with the Certificate Ordinance, the "Ordinance").

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. T-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and

conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law;

2. The Certificates are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and

3. The Certificates are additionally payable from a limited pledge of the surplus revenues (not to exceed $1,000) of the City's solid waste disposal system in the manner and to the extent provided in the Ordinance.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Certificates is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Certificates owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC), or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations, such as the Certificates, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Certificates.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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ANDREWS KURTH LLP
ATTORNEYS

111 Congress, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

October 6, 2015

WE HAVE ACTED as Bond Counsel for the City of Austin, Texas (the "City"), in connection with an issue of contractual obligations (the "Contractual Obligations") described as follows:

> CITY OF AUSTIN, TEXAS, PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2015, dated October 1, 2015, in the aggregate principal amount of $14,450,000, maturing on May 1 and November 1 in each year from 2016 through and including 2022. The Contractual Obligations are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, and bear interest, mature and may be transferred and exchanged as set out in the Contractual Obligations, the ordinance (the "Contractual Obligation Ordinance") adopted by the City Council of the City authorizing their issuance and the Pricing Certificate dated as of September 10, 2015 (the "Pricing Certificate" and, together with the Contractual Obligation Ordinance, the "Ordinance").

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Contractual Obligations under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Contractual Obligations from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Contractual Obligations, as described in the Ordinance. The transcript contains certain certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Contractual Obligations. We also have examined executed Contractual Obligation No. T-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Contractual Obligations. Our role in connection with the City's Official Statement prepared or used in connection with the sale of the Contractual Obligations has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Contractual Obligations in full compliance with the Constitution and laws of the State of Texas presently in effect; the Contractual Obligations constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Contractual Obligations may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Contractual Obligations have been authorized and delivered in accordance with law; and

2. The Contractual Obligations are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Contractual Obligations.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Contractual Obligations is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Contractual Obligations in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Contractual Obligations in gross income for federal income tax purposes to be retroactive to the date of issuance of the Contractual Obligations. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Contractual Obligations in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Contractual Obligations owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Contractual Obligations. Prospective purchasers of the Contractual Obligations should be aware that the ownership of tax-exempt obligations, such as the Contractual Obligations, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Contractual Obligations.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX D

Summary of Refunded Obligations

	Refunded Bonds					
	Maturity Type	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Certificates of Obligation, Series 2005	Serial	9/1/2016	3.850%	$ 355,000	11/10/2015	(1)
	Serial	9/1/2017	4.000%	370,000	11/10/2015	(1)
	Serial	9/1/2018	4.000%	390,000	11/10/2015	(1)
	Serial	9/1/2019	4.050%	410,000	11/10/2015	(1)
	Serial	9/1/2020	4.100%	435,000	11/10/2015	(1)
	Serial	9/1/2021	4.125%	455,000	11/10/2015	(1)
	Serial	9/1/2022	4.150%	480,000	11/10/2015	(1)
	Serial	9/1/2023	4.200%	505,000	11/10/2015	(1)
	Serial	9/1/2024	4.250%	530,000	11/10/2015	(1)
	Serial	9/1/2025	4.300%	560,000	11/10/2015	(1)
				$ 4,490,000		
Public Improvement and Refunding Bonds, Series 2005	Serial	9/1/2016	4.000%	$ 100,000	11/10/2015	(1)
	Serial	9/1/2017	4.000%	325,000	11/10/2015	(1)
	Serial	9/1/2018	4.000%	100,000	11/10/2015	(1)
	Serial	9/1/2019	4.100%	100,000	11/10/2015	(1)
	Serial	9/1/2020	4.125%	1,255,000	11/10/2015	(1)
	Serial	9/1/2021	4.200%	1,320,000	11/10/2015	(1)
	Serial	9/1/2022	4.200%	1,385,000	11/10/2015	(1)
	Serial	9/1/2023	4.250%	1,460,000	11/10/2015	(1)
	Serial	9/1/2024	4.250%	3,125,000	11/10/2015	(1)
	Serial	9/1/2025	4.250%	2,970,000	11/10/2015	(1)
				$ 12,140,000		
Certificates of Obligation, Series 2006	Serial	9/1/2017	4.000%	$ 1,190,000	9/1/2016	(1)
	Serial	9/1/2018	4.125%	1,250,000	9/1/2016	(1)
	Serial	9/1/2019	4.125%	1,310,000	9/1/2016	(1)
	Serial	9/1/2020	4.125%	1,375,000	9/1/2016	(1)
	Serial	9/1/2021	4.250%	1,445,000	9/1/2016	(1)
	Serial	9/1/2022	4.375%	1,520,000	9/1/2016	(1)
	Serial	9/1/2023	4.250%	1,595,000	9/1/2016	(1)
	Serial	9/1/2024	4.375%	1,675,000	9/1/2016	(1)
	Serial	9/1/2025	4.375%	1,760,000	9/1/2016	(1)
	Serial	9/1/2026	4.375%	1,845,000	9/1/2016	(1)
				$ 14,965,000		
Public Improvement Bonds, Series 2006	Serial	9/1/2017	4.000%	$ 1,660,000	9/1/2016	(1)
	Serial	9/1/2018	4.000%	1,740,000	9/1/2016	(1)
	Serial	9/1/2019	4.000%	1,830,000	9/1/2016	(1)
	Serial	9/1/2020	4.250%	1,920,000	9/1/2016	(1)
	Serial	9/1/2021	4.375%	2,015,000	9/1/2016	(1)
	Serial	9/1/2022	4.250%	2,115,000	9/1/2016	(1)
	Serial	9/1/2023	4.250%	2,225,000	9/1/2016	(1)
	Serial	9/1/2024	4.500%	2,335,000	9/1/2016	(1)
	Serial	9/1/2025	4.300%	2,450,000	9/1/2016	(1)
	Serial	9/1/2026	4.500%	9,610,000	9/1/2016	(1)
				$ 27,900,000		
Certificates of Obligation, Series 2007	Serial	9/1/2018	4.880%	$ 190,000	9/1/2017	(1)
	Serial	9/1/2019	4.880%	195,000	9/1/2017	(1)
	Serial	9/1/2020	4.880%	210,000	9/1/2017	(1)
	Serial	9/1/2021	4.880%	220,000	9/1/2017	(1)
	Serial	9/1/2022	4.880%	230,000	9/1/2017	(1)
	Serial	9/1/2023	4.880%	240,000	9/1/2017	(1)
	Serial	9/1/2024	4.880%	255,000	9/1/2017	(1)
	Serial	9/1/2025	4.880%	265,000	9/1/2017	(1)
	Serial	9/1/2026	4.880%	280,000	9/1/2017	(1)
	Serial	9/1/2027	4.880%	290,000	9/1/2017	(1)
				$ 2,375,000		
Public Improvement Bonds, Series 2007	Serial	9/1/2018	4.640%	$ 5,120,000	9/1/2017	(1)
	Serial	9/1/2019	4.640%	5,380,000	9/1/2017	(1)
	Serial	9/1/2020	4.640%	5,645,000	9/1/2017	(1)
	Serial	9/1/2021	4.640%	5,930,000	9/1/2017	(1)
	Serial	9/1/2022	4.640%	6,225,000	9/1/2017	(1)
	Serial	9/1/2023	4.640%	6,535,000	9/1/2017	(1)
	Serial	9/1/2024	4.640%	6,865,000	9/1/2017	(1)
	Serial	9/1/2025	4.640%	7,205,000	9/1/2017	(1)
	Serial	9/1/2026	4.640%	7,570,000	9/1/2017	(1)
	Serial	9/1/2027	4.640%	31,470,000	9/1/2017	(1)
				$ 87,945,000		
Total Refunded Obligations				$ 149,815,000		

(1) Bonds are subject to redemption at a price equal to the principal amount thereof, plus accrued interest to the redemption date.