NEW ISSUE
BOOK-ENTRY-ONLY

OFFICIAL STATEMENT
April 10, 2018

Ratings Applied For:
S&P: "AA"

(See "OTHER PERTINENT INFORMATION - Ratings" herein)

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

THE COUNTY HAS DESIGNATED THE CERTIFICATES AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$7,960,000
TOM GREEN COUNTY, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: April 1, 2018 (interest to accrue from the Delivery Date) **Due: February 1, as shown on page ii**

Principal of the $7,960,000 Tom Green County, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates"), is payable to the registered owner upon presentation at maturity at the designated office of the paying agent/registrar (the "Paying Agent/Registrar"), initially BOKF, NA, Dallas, Texas. The Certificates will be issued in denominations of $5,000 or integral multiples thereof within a maturity. Interest on the Certificates will accrue from the Delivery Date (hereinafter defined) of the Certificates to the Initial Purchaser thereof, and will be payable February 1 and August 1 of each year, commencing February 1, 2019, calculated on the basis of a 360-day year consisting of twelve 30-day months, to the registered owner appearing on the registration records of the Paying Agent/Registrar on the "Record Date" (hereinafter defined). Tom Green County, Texas (the "County") intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("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 Certificates (see "BOOK-ENTRY-ONLY SYSTEM").

MATURITY SCHEDULE
(SEE PAGE ii)

AUTHORITY FOR ISSUANCE: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and pursuant to an order (the "Order") adopted by the Commissioners Court of the County on the date of the sale of the Certificates. (See "THE CERTIFICATES – Authority for Issuance.")

PURPOSE: The proceeds from the sale of the Certificates will be used for (i) completion of constructing and equipping a new County jail, including additional capacity and related parking, landscaping and infrastructure; (ii) completion of acquiring, constructing and equipping improvements and renovations to the County Courthouse; (iii) constructing and equipping improvements and renovations to the Michael D. Brown Justice Center; (iv) the acquisition of land and interests in land for such projects; and (v) legal, fiscal, architectural, engineering and other professional fees in connection with such projects (see "THE CERTIFICATES" – Purpose").

SECURITY FOR PAYMENT: The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County, and from a limited pledge (not to exceed $1,000) of surplus net revenues of the County public library. (See "THE CERTIFICATES – Security for Payment of the Certificates.")

REDEMPTION PROVISIONS: The County reserves the right, at its option, to redeem Certificates maturing on and after February 1, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein (see "THE CERTIFICATES – Redemption Provisions").

The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion.) It is expected that the Certificates will be available for delivery through the services of DTC on or about April 26, 2018 (the "Delivery Date").

MATURITY SCHEDULE
$7,960,000
TOM GREEN COUNTY, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018
CUSIP No. Prefix: 889642[1]

$4,670,000 Serial Certificates

Maturity Date 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2019	$160,000	4.000%	1.650%	GX6
2020	250,000	5.000	1.800	GY4
2021	265,000	5.000	1.950	GZ1
2022	275,000	5.000	2.100	HA5
2023	290,000	5.000	2.250	HB3
2024	305,000	5.000	2.350	HC1
2025	320,000	5.000	2.450	HD9
2026	340,000	5.000	2.550	HE7
2027	355,000	5.000	2.620	HF4
2028	375,000	5.000	2.700	HG2
2029	390,000	3.000	2.750[2]	HH0
2030	400,000	3.000	2.800[2]	HJ6
2031	415,000	3.000	2.880[2]	HK3
****	*******	*****	*****	****
2039	530,000	3.000	3.250	HM9

$3,290,000 Term Certificates

$3,290,000 3.125% Term Certificates due February 1, 2038; Priced at $100.000 to Yield 3.125%; CUSIP No. Suffix[1]: HL1

(Interest to accrue from the Delivery Date)

REDEMPTION PROVISIONS: The County reserves the right, at its option, to redeem Certificates maturing on and after February 1, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See “THE CERTIFICATES – Redemption Provisions” herein.)

[1] CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the County, the Financial Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
[2] Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2028, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

TOM GREEN COUNTY, TEXAS

113 W. Beauregard
San Angelo, Texas 76903

COMMISSIONERS COURT

Judge Stephen C. Floyd
County Judge

Ralph Hoelscher Commissioner, Precinct 1	Rick Bacon Commissioner, Precinct 3
Aubrey de Cordova Commissioner, Precinct 2	Bill Ford Commissioner, Precinct 4

ADMINISTRATION

Nathan Cradduck	County Auditor
Dianna Spieker	County Treasurer
Elizabeth McGill	County Clerk
Becky Robles	Tax Assessor-Collector

CONSULTANTS AND ADVISORS

Certified Public Accountants	Pattillo, Brown & Hill L.L.P. Waco, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	RBC Capital Markets, LLC San Antonio, Texas

FOR MORE INFORMATION CONTACT:

Nathan Cradduck
County Auditor
Tom Green County, Texas
113 West Beauregard
San Angelo, TX 76903
(325) 659-6521

Robert V. Henderson
R. Dustin Traylor
RBC Capital Markets, LLC
303 Pearl Parkway, Suite 220
San Antonio, TX 78215
(210) 805-1118

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state or jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

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

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

Certain information set forth herein has been provided by sources other than the County that the County believes are reliable, but the County makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the County’s undertaking to provide certain information on a continuing basis.

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.

NEITHER THE COUNTY NOR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The County Tom Green County, Texas (the "County") is a West-Central Texas county with an economy based on agriculture, mineral production, manufacturing, education, medicine and military. The County had a 2010 population of 110,224, an increase of 5.9% since 2000. The County has an estimated population of 118,386. The County is governed by a Commissioners Court, consisting of four County Commissioners and a County Judge, all of whom are elected officials.

The Certificates The Certificates shall mature serially on February 1 in each of the years 2019 through 2031, and 2039, inclusive, and 2038, and interest thereon will accrue from the Delivery Date, and is payable on February 1 and August 1 in each year, commencing February 1, 2019.

Authority for Issuance The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly subchapter C of Chapter 271, Texas Local Government Code, as amended, and pursuant to an order (the "Order") adopted by the Commissioners Court on the date of the sale of the Certificates (see "THE CERTIFICATES – Authority for Issuance").

Security for the Certificates The Certificates constitute direct obligations of the County payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, and from a limited pledge (not to exceed $1,000) of surplus net revenues of the County public library (see "THE CERTIFICATES – Security for Payment of the Certificates").

Redemption The County reserves the right, at its option, to redeem Certificates maturing on and after February 1, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein (see "THE CERTIFICATES – Redemption Provisions").

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

Qualified Tax-Exempt Obligations The County has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations")

Use of Proceeds The proceeds from the sale of the Certificates will be used for (i) completion of constructing and equipping a new County jail, including additional capacity and related parking, landscaping and infrastructure; (ii) completion of acquiring, constructing and equipping improvements and renovations to the County Courthouse; (iii) constructing and equipping improvements and renovations to the Michael D. Brown Justice Center; (iv) the acquisition of land and interests in land for such projects; and (v) legal, fiscal, architectural, engineering and other professional fees in connection with such projects (see "THE CERTIFICATES – Purpose").

Rating The Certificates have been assigned a rating of "AA" by S&P Global Ratings ("S&P") (see "OTHER PERTINENT INFORMATION - Ratings").

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

Payment Record The County has never defaulted in the payment of its general obligation tax debt.

Delivery When issued, anticipated on or about April 26, 2018.

OFFICIAL STATEMENT
relating to

$7,960,000
TOM GREEN COUNTY, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Tom Green County, Texas (the "County"), of its $7,960,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2018 (the "Certificates").

The County is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas (the "State"). The County is governed by an elected Commissioners Court, consisting of four County Commissioners and a County Judge.

Included in this Official Statement are descriptions of the Certificates, and certain information about the County and its finances. All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis.

ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the County and, during the offering period, from the Financial Advisor, upon payment of reasonable copying, handling, and delivery charges.

THE CERTIFICATES

General Description

The Certificates are dated April 1, 2018 (the "Dated Date"), and issued in fully-registered form, in denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Certificates will accrue from the date of initial delivery to the Initial Purchaser (the "Delivery Date") and interest will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2019, until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates and in the amounts as set forth on page ii hereof.

Principal and interest will be paid by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Subject to the requirements associated with the use of the Book-Entry-Only System (see "BOOK-ENTRY-ONLY SYSTEM" herein), interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the "Owners") appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense, of such Owner. Principal will be paid to the Owners at maturity or redemption upon presentation and surrender of the Certificates to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the County where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The County will initially use the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York, in regard to the issuance, payment and transfer of the Certificates. Such system will affect the timing and method of payment of the Certificates (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and pursuant to an order (the "Order") adopted by the Commissioners Court on the date of sale of the Certificates.

Purpose

The proceeds from the sale of the Certificates will be used together with the proceeds of the County's Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015 and Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017, for (i) completion of constructing and equipping a new County jail, including additional capacity and related parking, landscaping and infrastructure; (ii) completion of acquiring, constructing and equipping improvements and renovations to the County Courthouse; (iii) constructing and equipping improvements and renovations to the Michael D. Brown Justice Center; (iv) the acquisition of land and interests in land for such projects; and (v) legal, fiscal, architectural, engineering and other professional fees in connection with such projects.

Security for Payment of the Certificates

The Certificates constitute direct obligations of the County payable from an annual ad valorem tax levied against all taxable property within the County, within the limits prescribed by law, and from a limited pledge (not to exceed $1,000) of surplus net revenues of the County public library.

Tax Rate Limitations: The Texas Constitution (Article VIII, Section 9) imposes a tax rate limit of $0.80 per $100 assessed valuation for all taxable property within the County for purposes of General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants, certificates of obligation and contractual obligations issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 constitutional tax rate calculated at 90% collection. The Certificates are limited tax obligations payable from the constitutional tax rate. See "AD VALOREM TAXATION – Tax Rate Limitations and Notice and Hearing Procedures" for information concerning other taxing authority applicable to Texas counties.

Redemption Provisions

Optional Redemption… The County reserves the right, at its option, to redeem Certificates maturing on and after February 1, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on February 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Mandatory Redemption . . . The Certificates stated to mature on February 1, 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption price of par plus accrued interest to the date of redemption on the dates and in the principal amounts as follows:

Term Certificates due February 1, 2038

Mandatory Redemption Date (2/1)	Principal Amount
2032	$ 425,000
2033	440,000
2034	455,000
2035	470,000
2036	485,000
2037	500,000
2038*	515,000

*Stated Maturity

The particular Term Certificates to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method. The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the County, by the principal amount of any such Term Certificates which, at least 50 days prior to a mandatory redemption date, (i) shall have been acquired by the County and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the County, or (iii) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

At least 30 days prior to a redemption date for the Certificates, the County shall cause a notice of redemption to be sent by United States Mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, IRRESPECTIVE OF WHETHER ONE OR MORE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE OR ANY DEFECT IN SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND ALL OTHER CONDITIONS TO REDEMPTION SATISFIED THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, PROVIDED PAYMENT FOR THEIR REDEMPTION SHALL HAVE BEEN DEPOSITED WITH THE PAYING AGENT/REGISTRAR, AND, NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the County, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the County will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates will not been redeemed.

The Paying Agent/Registrar and the County, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify a Beneficial Owner (as defined in "BOOK-ENTRY-ONLY SYTEM" herein), will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the County will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Order and will not be conducted by the County or the Paying Agent/Registrar. Neither the County nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Defeasance

The Order provides for the defeasance of the Certificates when the payment of the principal of the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, 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 ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the County will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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. The County has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the County moneys in excess of the amount required for such defeasance.

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

Upon making such deposit in the manner described, such Certificates shall no longer be deemed outstanding obligations payable from ad valorem taxes levied by the County, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the County for purposes of taxation or applying any limitation on the County's ability to issue debt or for any other purpose. Provided, however, the County has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption, at an earlier date, those Certificates which have been defeased to their maturity date, if the County: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments to the Order

In the Order, the County has reserved the right to amend the Order without the consent of any holder of the Certificates for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the County, do not materially adversely affect the interests of the holders.

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

Defaults and Remedies

The Order establishes specific events of default with respect to the Certificates. If the County defaults in the payment of the principal of or interest on the Certificates when due or the County defaults in the observance or performance of any of the covenants, conditions, or obligations of the County, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the County, the Order provides that any registered owner of a Certificate is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the County to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or Order and the County's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the owners of the Certificates upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has 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 County's sovereign immunity from a suit for money damages, owners of Certificates may not be able to bring such a suit against the County for breach of the Certificates or Order covenants in the absence of County action. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the Registered Owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Certificates will be Cede & Co., as the nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

SOURCES AND USES OF PROCEEDS

The following table shows the estimated sources and uses of the proceeds of the Certificates:

Sources:		
	Principal Amount of the Certificates	$7,960,000.00
	Net Original Issue Premium	393,722.95
	Total Sources of Funds	**$8,353,722.95**
Uses:		
	Deposit to Project Fund	$8,200,000.00
	Costs of Issuance, Initial Purchaser's Discount, and excess proceeds	153,722.95
	Total Uses of Funds	**$8,353,722.95**

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein. In the event the Book-Entry-Only System is discontinued, the principal of the Certificates shall be payable at the stated maturities thereof, or upon their prior redemption, only upon presentation and surrender of the Certificates to the Paying Agent/Registrar, and interest on the Certificates shall be paid to the Holder whose name appears in 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 (i) by check sent United States mail, first class postage prepaid, to the address of the Holder recorded in its registration books or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the holder.

If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office of the Paying Agent/Registrar for the payment of the Certificates is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Future Registration, Transfer and Exchange

In the event the Book-Entry-Only-System is discontinued, printed certificates will be delivered to the registered owners and thereafter the Certificates may be transferred, registered and assigned on the registration books only upon presentation and surrender of the printed certificates to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on such Certificate or by such other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificate being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the Owner in not more than three business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer.

Record Date For Interest Payment

The record date (“Record Date”) for the interest payable on any interest payment date means the close of business on the fifteenth day of the month next preceding such interest payment date, as specified in the Order. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Certificate appearing on the 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.

Limitation on Transfer of Certificates

Neither the County nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a registered owner any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, and (ii) with respect to Certificates called for redemption, within 45 days of the redemption date for such Certificates.

Replacement Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the County and the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the County and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by the Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County, the Financial Advisor, and the Initial Purchaser believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) 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 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Paying Agent/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 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Certificates 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 County or Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County 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 Direct and Indirect Participants.

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

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County, the Financial Advisor, and the Initial Purchaser believe to be reliable, but the County nor the Initial Purchaser take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the County, printed Certificates will be issued to the DTC Participants or the holders, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" above.

AD VALOREM TAXATION

Property Tax Code and County-Wide Appraisal Districts

Pursuant to a comprehensive Property Tax Code enacted by the Texas Legislature (the "Tax Code"), there has been established for each county in the State of Texas a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The appraisal of property within the County is the responsibility of the Tom Green County Appraisal District (the "Appraisal District). The Appraisal District is governed by a board of five directors appointed by the votes of the governing bodies of the various governmental units within the County, with votes weighted by relative tax levy. The Tax Code requires the Appraisal District, by May 15 of each year or as soon thereafter as practicable, to prepare appraisal records listing all property that is taxable in the Appraisal District and stating the appraised value of each parcel or item of taxable property. Property is to be appraised as of January 1 of each year, and the Tax Code generally requires appraisals at 100% of market value. Business inventory may, at the option of the taxpayer, be assessed as of September 1. The valuation assessment of oil and gas reserves depends upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. Land used for agriculture, timber production or open space may qualify for valuation on productive capacity rather than market value, thereby resulting in a lower taxable value. Appraisals are subject to review by the appraisal review board. Under certain circumstances taxpayers and taxing units (such as the County) may appeal an order of the appraisal review board by filing a petition for review in state district court. In such event, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll as prepared by the Appraisal District and approved by the appraisal review board must be used by each taxing jurisdiction in establishing its tax rolls and tax rate.

Although the County has the authority to establish tax rates and to levy and collect its taxes each year, the County cannot establish standards for appraisal or determine the frequency of revaluation or reappraisal. The Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for reappraisal of all real property in the appraisal district at least once every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

Property Subject to Taxation

Except for certain exemptions provided by State law, all real and tangible personal property in the County is subject to taxation by the County. However, no effort is made by the County to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain households goods, family supplies and personal effects; farm products and implements owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations and qualified schools; designated historic sites; solar and wind powered energy devices; and most individually-owned automobiles. For property to be exempt from taxation, a claim for exemption must be filed, except with respect to property owned by the State of Texas or its political subdivisions, property exempt by federal law, household goods and personal effects, family supplies, farm products, implements of farming and ranching and automobiles. The Tax Code also exempts all tangible personal property not producing income, other than manufactured homes, from ad valorem taxes; however, the taxing unit may choose to override this exemption. The County has chosen to override this exemption but does not tax non-business vehicles.

Article VIII, Section 1-j of the Texas Constitution authorizes a property tax exemption for goods, wares, merchandise and other tangible personal property, and ores (other than oil, natural gas and other petroleum products), acquired in or imported into the State of Texas for assembling, storing, manufacturing, processing or fabricating purposes, provided such property is transported outside of the State within 175 days of the date it was so acquired or imported ("Article VIII, Section 1-j Property"). Notwithstanding such exemption, the County may tax Article VIII, Section 1-j Property provided official action to tax was taken prior to April 1, 1990. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the State and transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the first year in which it intends to tax goods-in-transit. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The County does not tax goods-in-transit. In addition, owners of agricultural, timber and open space land may, under certain circumstances, request valuation of such land on the basis of productive capacity rather than market value.

The County may agree to participate in a tax increment reinvestment zone, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The County also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The County currently provides tax abatements and participates in two separate tax increment reinvestment zones.

Up to 20% of the value of the residence homestead of a person (with a minimum exemption of $5,000) may be exempt from taxation at the option of the governing body of the taxing entity. Additionally, not less than $3,000 of the market value of the residence homestead of a person 65 years of age or older and certain disabled persons may be exempt from taxation, if such exemption is allowed by the governing body of the taxing entity or imposed by referendum election. Property owned by disabled veterans or by the surviving spouse and surviving minor children of disabled veterans is exempted from taxation in amounts ranging from $5,000 to $12,000 depending on the disability rating of the veteran.

A disabled veteran who receives a 100% disability compensation from the United States Department of Veterans Affairs or its successor due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran’s residence homestead. The surviving spouse of such a disabled veteran is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability if the residence was donated at no cost to the veteran by a charitable organization. Furthermore, the surviving spouse of a member of the armed forces who is killed in action is entitled to property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Counties are also authorized, pursuant to Section 381.004, Texas Local Government Code ("Section 381.004"), to develop and administer programs to, among other purposes, encourage and develop business location and commercial activity in the county. In accordance with a program established pursuant to Section 381.004, a county may make loans or grants of public funds for economic development purposes.

Tax Rate Limitations and Notice and Hearing Procedures

Limited Tax Funded Debt Payable From Proceeds of $0.80 Constitutional Tax Rate: The Texas Constitution (Article VIII, Section 9) imposes a tax rate limit of $0.80 per $100 assessed valuation of all taxable property within the County (the "$0.80 Tax Limitation") for general fund, permanent improvement fund, road and bridge fund and jury fund, including debt service of bonds or other debt obligations issued against such funds. By administrative policy, the Attorney General of Texas will permit allocation of $0.40 of the constitutional $0.80 tax rate calculated at 90% collection for the payment of the debt service requirements on the County's limited tax general obligation indebtedness. The General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund receive operating funds from the $0.80 constitutional tax rate.

The Certificates are limited tax obligations payable from the $0.80 constitutional tax rate.

Road and Bridge Maintenance: As permitted by Section 256.052, Texas Transportation Code, the County may levy a tax, previously approved by the voters, of up to $0.15 per $100 assessed valuation for road and bridge maintenance, no part of which may be used for debt service.

Farm-to-Market and/or Flood Control: As permitted by Article VIII, Section 1-a of the Constitution and Section 256.054, Texas Transportation Code, the County may levy a tax, previously approved by the voters, of up to $0.30 per $100 assessed valuation after exemption of homesteads up to $3,000. No allocation is prescribed by statute between debt service and maintenance. All or part may be used for either purpose.

Unlimited Tax Road Bonds: Article III, Section 52 of the Texas Constitution authorizes the levy of a tax unlimited as to rate or amount for the payment of debt issued for the construction, maintenance, and operation of macadamized, graveled, or paved roads and turnpikes, or in aid thereof, upon a vote of a majority of the voting qualified voters of the County; however, total unlimited tax debt cannot exceed 25% of the assessed valuation of real property in the County.

Optional Sales Tax: The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year.

Effective Tax Rate and Rollback Tax Rate: The Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year (the "effective tax rate") unless a notice of intent to consider an increase in taxes is given and a public hearing on the proposed increase is held before the total taxes are increased. Section 26.05 Property Tax Code provides the governing body of a taxing unit other than a school district may not adopt a tax rate that exceeds the lower of the rollback tax rate or 103 per cent of 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 taxing unit's website if the taxing unit owns, operates or controls an internet website and public notice be given by television if the taxing unit has free access to a television channel) and the governing body has otherwise complied with the legal requirements for the adoption of such tax rate. The "rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy from this year's values multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values divided by the anticipated collection rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the County, 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.

Levy of Taxes

The 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. Taxes are due October 1 and become delinquent if not paid by January 31 of the following year. The County does not permit split payments of taxes. Discounts for early payment of taxes are not allowed.

Collection of Delinquent Taxes

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

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12(1)	6	38(2)

(1) In addition to the penalty and interest collected, the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee up to 20% of the amount of delinquent tax, penalty, and interest collected.
(2) Interest continues to accrue after July 1 at a rate of 1% per month until paid.

County's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the County records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Proposition 13 – Amendment to the Texas Constitution

Proposition 13, approved by Texas voters on September 13, 2003, amended the Texas Constitution to allow the governing bodies of counties, cities, towns, and junior college districts to freeze the amount of property taxes that could be imposed on residence homesteads owned by the elderly or disabled. Property taxes could not increase as long as the residences are maintained as homesteads by the owners who are disabled or have reached the age of sixty-five (65) or their spouses who are disabled or are at least sixty-five (65) years of age.

Alternatively, upon receipt of a petition signed by at least five percent (5%) of the political subdivision's registered voters, a local governing body would have to call an election to determine by majority vote whether to freeze taxes for elderly and disabled homeowners.

The amendment allows the transfer of the property tax freeze upon the death of a disabled or 65 years of age or older homeowner to a surviving spouse who was 55 years of age or older when the owner died, as long as the spouse claimed the property as a residence homestead. A taxing entity could increase taxes on such homesteads only to the extent that homeowners made improvements, other than governmentally required repairs or improvements that increase the property's appraised value.

The County has not adopted the property tax freeze provisions of Proposition 13.

County Application of Tax Code

The County grants an exemption to the market value of the residence homestead of 20%.

The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000.

Ad valorem taxes are levied by the County against the value of residence homesteads for payment of the debt.

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

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

The County does not tax freeport property.

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

INVESTMENT POLICIES

Investments

The County invests funds in instruments authorized by the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") in accordance with investment policies approved by the Commissioners Court. Both State law and the County's investment policies are subject to change.

Under Texas law, the County 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 of and interest of which are unconditionally 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; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (7) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) 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 County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (10) 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 (7) 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 (7) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (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; and (iv) the agreement to lend securities has a term of one year or less; (11) 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; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission (the "SEC") that comply with SEC Rule 2a-7; and (14) no-load mutual funds registered with the SEC and either have a duration of one year or more and are invested exclusively in obligations described by this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Investment Policies

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

Under Texas law, the County's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the County's investment officers must submit an investment report to the Commissioners Court detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period 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 strategies and (b) Texas law. No person may invest County funds without express written authority from the Commissioners Court.

Additional Provisions

Under State law, the County is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (4) require the qualified representative of firms offering to engage in an investment transaction with the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the County and the business organization that are not authorized by the County's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the County's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the County and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the County's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the County.

Current Investments

See Appendix A, “Table 12 – Current Investments”.

EMPLOYEE BENEFITS

The County has a contributory retirement plan with the Texas County and District Retirement System covering substantially all of its qualifying employees. Such employees, in 2017, contributed 7.00% of their gross wages. The County’s contribution is actuarially determined each year, and in 2017 it was 7.7%.

The County's covered payroll for the year ended September 30, 2017 was $26,498,261. For additional information, see “Note 3 – Defined Benefit Pension Plan” in the audited financial statements attached hereto as Appendix C.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the County payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County, and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel’s opinion is attached hereto as Appendix D. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Though it may represent the Financial

Advisor or the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the County in the issuance of the Certificates. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Order.

The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. 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.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) the County's federal tax certificate, and (b) covenants of the County with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure by the County to observe the aforementioned representations or covenants, could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the County with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

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

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

Future and Proposed Legislation

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

Federal Income Tax Accounting Treatment of Original Issue Discount Certificates

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Certificates will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(b) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The County has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Code. In furtherance of that designation, the County has covenanted to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The County will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement in Appendix A (Tables 1-7 and 9-12). The County will update and provide the information in Appendix A (Tables 1-7 and 9-12) within six months after the end of each fiscal year ending in and after 2018. The County will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2018. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The County's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by the last day of March in each year, and audited financial statements must be provided by September 30 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

Notice of Occurrence of Certain Events, Whether or Not Material

The County will notify the MSRB through EMMA (in an electronic format as prescribed by the MSRB) within ten business days following the occurrence of any of the following events with respect to the Certificates, without regard to whether such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or 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-exempt status of the Certificates, or other events affecting the tax-exempt status of the Certificates; (6) tender offers; (7)

defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person. (Neither the Certificates nor the Order make any provision for credit enhancement, liquidity enhancement, or a debt service reserve with respect to the Certificates.)

For these purposes, any event described in (9) of the immediately preceding paragraph, is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

Notice of Occurrence of Certain Events, If Material

The County also will notify the MSRB through EMMA (in an electronic format as prescribed by the MSRB) within ten business days following the occurrence of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of Certificateholders; (3) redemption calls; (4) release, substitution, or sale of property securing repayment of the Certificates; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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; and (6) appointment of a successor or additional trustee or the change of name of a trustee. (Neither the Certificates nor the Order make any provision for a trustee with respect to the Certificates.)

Notice of Failure to Timely File

The County also will notify the MSRB through EMMA, in a timely manner, of any failure by the County to provide financial information or operating data in accordance with the provisions described above.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of its EMMA system, at www.emma.msrb.org. EMMA is the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the County in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the County issued prior to the EMMA Effective Date that was subject to the Rule, the County remains obligated to provide certain updated financial information and operating data upon written request and to make required annual filings, as well as notices of material events, under its respective continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make material event filings with the Texas state information repository (the "SID")).

Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the County receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the County has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

The County has agreed to update information and to provide notices of certain events only as described above. The County 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 County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Certificates at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the County to comply with its agreement. No default by the County with respect to its continuing disclosure agreement shall constitute a breach of or default under the Order for purposes of any other provision of the Order. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the County under federal and state securities laws. The County's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The County’s continuing disclosure agreement may be amended by the County 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 County, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The County may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 the Certificates in the primary offering of the Certificates. If the County amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

Due to an administrative oversight, the County's audited financial statements for the fiscal year ended September 30, 2011 were not filed with EMMA. They were inadvertently filed only with the MAC. These documents were subsequently filed with EMMA on November 3, 2015. On November 4, 2015, the County filed an event notice with EMMA concerning failure to timely file regarding this matter. The County's draft annual financial statements for the fiscal year ended on September 30, 2012 were timely filed on EMMA on March 31, 2013. However, the final audited financial statements were not filed to EMMA upon completion. They were made available on the County's website. The final audit for the fiscal year ended September 30, 2012 and an event notice concerning this matter were filed to EMMA on February 2, 2017. The County has determined that these matters of non-compliance were the result of inadvertence and not due to any wanton or willful disregard for its continuing disclosure obligations. The County has implemented procedures to ensure timely filing of all future financial information.

OTHER PERTINENT INFORMATION

The Certificates as Legal Investments in Texas

Section 1201.041, Texas Government Code, provides that the Certificates are (1) negotiable instruments, (2) investment securities to which Chapter 8, Business & Commerce Code, applies, and (3) legal and authorized investments for insurance companies, fiduciaries or trustees and the sinking funds of a municipality or other political subdivision or public agency of the State. For the Certificates to be eligible investments for municipalities, political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, provides a rating of not less than "A" or its equivalent as to investment quality must be assigned by a national rating agency. The Texas Finance Code also contains provisions that, subject to the prudent investor standard, provide for the Certificates to be legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. Furthermore, the Certificates are eligible to secure the deposits of any public funds of the State, its agencies and its political subdivisions and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

Ratings

S&P Global Ratings ("S&P") has assigned a contract rating of "AA" on the Certificates.

An explanation of the significance of such rating may be obtained from S&P. The rating of these Certificates reflects only the view of S&P at the time the rating is given, and the County makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Registration and Qualification of Certificates for Sale

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

Pending Litigation

In the opinion of various officials of the County, there is no litigation or other proceedings or claims pending or, to their knowledge, threatened against the County in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition or operation of the County.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. 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.

Use of Audited Financial Statements

Pattillo, Brown & Hill, L.L.P., Waco, Texas, the County's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Pattillo, Brown & Hill, L.L.P. also has not performed any procedures relating to this Official Statement.

Initial Purchaser

After requesting competitive bids for the Certificates, the County accepted the bid of PNC Capital Markets LLC to purchase the Certificates at the interest rates shown on page ii of this Official Statement at a price of par, plus a net cash premium of $393,722.95, less an Initial Purchaser's discount of $55,720.00 and no accrued interest. The County can give no assurance that any trading market will be developed for the Certificates after their sale by the County to the Initial Purchaser. The County has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

Financial Advisor

RBC Capital Markets, LLC is employed as Financial Advisor to the County in connection with the issuance of the Certificates. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Certification as to Official Statement

At the time of payment for and delivery of the Certificates, the County will furnish the Initial Purchaser a certificate, executed by an authorized representative of the County, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the County contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the County, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since the date of the last audited financial statements of the County.

Forward-Looking Statements

The statements contained in this Official Statement, and any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County'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 County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. It is important to note that the County's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. 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.

Concluding Statement

The Order approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

TOM GREEN COUNTY, TEXAS

Hon. Stephen C. Floyd
County Judge

ATTEST:

Elizabeth McGill
County Clerk

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APPENDIX A

FINANCIAL INFORMATION REGARDING TOM GREEN COUNTY, TEXAS

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FINANCIAL INFORMATION REGARDING
TOM GREEN COUNTY, TEXAS

Table 1-Valuations, Exemptions and Tax Supported Debt

2017/18 Market Valuation Established by Tom Green County Appraisal District	$ 9,193,035,959
Less: Exemptions/Reductions at 100% Market Value	
Optional Homestead Exemption Over 65	$ 242,580,457
Local/Optional Exemptions	756,506,812
Disabled/Deceased Veterans Exemptions	85,527,065
Freeport Exemptions	26,695,882
Pollution Control Exemptions	6,048,862
Productivity Loss Exemption	1,395,308,930
Tax Abatement Exemptions	27,241,625
10% Cap Exemptions	195,831,593
Other	3,377,779
Total	$ 2,739,119,005
2017/18 Net Taxable Assessed Valuation	$ 6,453,916,954

County Funded Debt Payable from Ad Valorem Taxes (As of April 1, 2018):

Currently Outstanding General Obligation Debt	$ 57,980,000
The Certificates	7,960,000
	$ 65,940,000
Interest and Sinking Fund Balance as of September 30, 2017	$ 154,978
Ratio Total General Obligation Debt to 2017/18 Taxable Assessed Valuation	1.02%
Estimated Population	113,386
Per Capita Total General Obligation Funded Debt	$ 582
Per Capita Taxable Assessed Valuation	$ 56,920

Table 2 - Other Obligations

Other than noted above, the County has no other outstanding obligations.

Table 3 - Taxable Assessed Valuation by Category [1]

	Taxable Appraised Value for Fiscal Year Ended September 30:					
	2018		2017		2016	
Category	**Value**	**% of Total**	**Value**	**% of Total**	**Value**	**% of Total**
Real, Residential, Single Family	$ 4,774,997,664	51.94%	$ 4,565,257,228	52.07%	$ 4,341,878,939	51.84%
Real Residential, Multi-Family	200,382,370	2.18%	189,658,660	2.16%	178,720,500	2.13%
Real, Vacant Lots/Tracts	112,311,922	1.22%	91,746,400	1.05%	90,985,510	1.09%
Real, Acreage (Land Only)	1,532,745,100	16.67%	1,424,104,200	16.24%	1,316,479,140	15.72%
Real, Farm and Ranch Improvements	358,854,550	3.90%	350,221,620	3.99%	237,453,650	2.83%
Real, Commercial and Industrial	935,293,540	10.17%	904,278,320	10.31%	852,886,260	10.18%
Real, Oil, Gas & Other Mineral Reserves	32,141,420	0.35%	22,323,480	0.25%	33,432,770	0.40%
Real, Tangible Personal, Utilities	249,649,720	2.72%	203,528,920	2.32%	208,863,620	2.49%
Tangible Personal, Commercial and Industrial	914,683,924	9.95%	942,780,470	10.75%	1,035,335,580	12.36%
Tangible Personal, Mobile Homes	19,058,230	0.21%	18,754,100	0.21%	17,987,530	0.21%
Tangible Personal, Other	48,033,219	0.52%	43,499,360	0.50%	48,568,280	0.58%
Intangible	-	0.00%	-	0.00%	-	0.00%
Real Property, Inventory	14,884,300	0.16%	11,724,150	0.13%	13,500,670	0.16%
Total Appraised Value Before Exemptions	$ 9,193,035,959	100.00%	$ 8,767,876,908	100.00%	$ 8,376,092,449	100.00%
Less: Total Exemtions/ Reductions	2,739,119,005		2,604,265,357		2,418,789,026	
Taxable Assessed Value	$ 6,453,916,954		$ 6,163,611,551		$ 5,957,303,423	

	Taxable Appraised Value for Year Ended September 30:			
	2015		2014	
Category	**Value**	**% of Total**	**Value**	**% of Total**
Real, Residential, Single Family	$ 3,949,804,842	50.70%	$ 3,499,446,544	49.93%
Real Residential, Multi-Family	179,122,790	2.30%	165,639,290	2.36%
Real, Vacant Lots/Tracts	86,028,070	1.10%	72,211,290	1.03%
Real, Acreage (Land Only)	1,354,311,860	17.38%	1,233,845,930	17.61%
Real, Farm and Ranch Improvements	214,659,050	2.76%	193,072,440	2.75%
Real, Commercial and Industrial	808,503,700	10.38%	798,348,250	11.39%
Real, Oil, Gas & Other Mineral Reserves	52,352,823	0.67%	75,441,680	1.08%
Real, Tangible Personal, Utilities	201,097,300	2.58%	173,181,084	2.47%
Tangible Personal, Commercial and Industrial	874,013,380	11.22%	732,378,420	10.45%
Tangible Personal, Mobile Homes	13,605,950	0.17%	13,166,920	0.19%
Tangible Personal, Other	40,614,220	0.52%	37,555,980	0.54%
Intangible	-	0.00%	-	0.00%
Real Property, Inventory	16,065,140	0.21%	13,946,550	0.20%
Total Appraised Value Before Exemptions	$ 7,790,179,125	100.00%	$ 7,008,234,378	100.00%
Less: Total Exemtions/ Reductions	2,365,540,919		2,081,392,148	
Taxable Assessed Value	$ 5,424,638,206		$ 4,926,842,230	

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[1] Obtained from property tax reports provided by the Tom Green County Appraisal District and the State of Texas Comptroller of Public Accounts.

Table 4 - County Sales Tax History

Fiscal Year Ending 9/30	Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2013	$ 8,463,605	34.31%	$ 0.18011
2014	9,463,558	36.59%	0.19208
2015	9,617,653	34.43%	0.17730
2016	8,312,853	27.23%	0.13954
2017	8,548,167	27.06%	0.13869

Source: County's Comprehensive Annual Financial Reports.

Table 5 - Valuation and Tax Supported Debt History

Fiscal Year Ended 9/30	Taxable Assessed Valuation	Percent Increase Over Prior Year	Tax Suported Debt at End of Year	Ratio of Debt to Assessed Valuation
2014	$4,926,842,230	4.85%	5,470,000	0.11%
2015	5,424,638,206	10.10%	2,780,000	0.05%
2016	5,957,303,423	9.82%	50,000,000	0.84%
2017	6,163,611,551	3.46%	59,515,000	0.97%
2018	6,453,916,954	4.71%	65,940,000 [1]	1.02%

[1] Includes the Certificates.

Table 6 - Tax Rate, Levy and Collection History

Fiscal Year Ending 9/30	General Fund	Interest and Sinking Fund	Total Tax Rate	Total Tax Levy	% Current Collections	% Total Collections
2013	$ 0.47072	$ 0.05428	$ 0.52500	$ 24,670,318	98.42%	99.75%
2014	0.46883	0.05617	0.52500	25,865,922	98.53%	99.55%
2015	0.46139	0.05361	0.51500	27,936,887	98.47%	98.92%
2016	0.46485	0.04765	0.51250	30,531,180	96.72%	98.30%
2017	0.45485	0.05765	0.51250	31,588,509	98.42%	99.82%
2018	0.47065	0.06435	0.53500	34,528,456	(In process of collection)	

Table 7 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2017/18 Taxable Assessed Valuation	Percent of Total
AEP Texas North	Utility	$ 97,344,570	1.51%
Walmart / Sam's	Retail	90,988,160	1.41%
LCRA Transmission Services Corporation	Utility	57,782,620	0.90%
Ethicon Inc.	Manufacturing	56,033,414	0.87%
C&J Well Services, Inc	Petroleum Industry	40,966,300	0.63%
NRG-Langford Wind Power	Utility	37,768,960	0.59%
Envoy Air Inc.	Transportation	37,669,470	0.58%
San Angelo Community Medical	Medical	34,006,720	0.53%
Hirschfeld Steel & Energy	Manufacturing	27,821,655	0.43%
Sunset Mall SPE LP	Mall - Real Estate	22,664,530	0.35%
		$ 503,046,399	7.79%

Source: Tom Green County Appraisal District

Table 8 - Estimated Overlapping Debt Statement

Taxing Body	Gross Amount	As of	% Overlap	$ Overlap
Christoval ISD	$ 750,000	04/01/18	100.00%	$ 750,000
Grape Creek ISD	1,850,000	04/01/18	100.00%	1,850,000
Miles ISD	7,505,000	04/01/18	48.87%	3,667,694
San Angelo ISD	101,369,981	04/01/18	100.00%	101,369,981
San Angelo, City of	31,280,484	04/01/18	100.00%	31,280,484
Veribest ISD	1,135,000	04/01/18	100.00%	1,135,000
Wall ISD	17,560,000	04/01/18	100.00%	17,560,000
Water Valley ISD	2,750,000	04/01/18	76.88%	2,114,200
Total Net Overlapping Debt				$ 159,727,359
Tom Green County[(1)]	**$ 65,940,000**	**04/01/18**	**100.00%**	**$ 65,940,000**
Total Direct and Overlapping Debt				**$ 225,667,359**
Ratio of Direct and Overlapping Debt to 2017/18 Taxable Assessed Valuation				3.50%
Per Capita Direct and Overlapping Debt				$ 1,990

(1) Includes the Certificates.

Table 9 - Outstanding Limited Tax Debt Service Requirements

Fiscal Year Ended 9/30	Outstanding Debt Service Requirements	The Certificates Principal	The Certificates Interest	The Certificates Total	Total Outstanding Limited Tax Debt Service
2018	$ 4,081,609				$ 4,081,609
2019	4,178,575	$ 160,000	$ 375,982	$ 535,982	4,714,557
2020	4,177,625	250,000	287,363	537,363	4,714,988
2021	4,205,425	265,000	274,488	539,488	4,744,913
2022	4,203,300	275,000	260,988	535,988	4,739,288
2023	4,199,675	290,000	246,863	536,863	4,736,538
2024	4,199,050	305,000	231,988	536,988	4,736,038
2025	4,198,950	320,000	216,363	536,363	4,735,313
2026	4,204,125	340,000	199,863	539,863	4,743,988
2027	4,203,225	355,000	182,488	537,488	4,740,713
2028	4,203,313	375,000	164,238	539,238	4,742,550
2029	4,245,375	390,000	149,013	539,013	4,784,388
2030	4,239,785	400,000	137,163	537,163	4,776,948
2031	4,243,595	415,000	124,938	539,938	4,783,533
2032	4,243,810	425,000	112,072	537,072	4,780,882
2033	4,238,955	440,000	98,556	538,556	4,777,511
2034	4,242,905	455,000	84,572	539,572	4,782,477
2035	4,238,585	470,000	70,119	540,119	4,778,704
2036	4,237,433	485,000	55,197	540,197	4,777,629
2037	4,235,454	500,000	39,806	539,806	4,775,260
2038	4,201,594	515,000	23,947	538,947	4,740,541
2039	-	530,000	7,950	537,950	537,950
TOTAL	**$ 88,422,362**	**$ 7,960,000**	**$ 3,343,951**	**$ 11,303,951**	**$ 99,726,313**

Authorized but Unissued Bonds

The County has no authorized but unissued general obligation bonds.

Table 10 - Tax Adequacy for Bonds

2017/18 Estimated Taxable Assessed Valuation	$ 6,453,916,954
Estimated Debt Service for the Fiscal Year Ending September 30, 2018	4,081,609
Indicated Interest and Sinking Fund Tax Rate	0.0644
Indicated Interest and Sinking Fund Tax Levy	4,153,096
Estimated 98% Tax Collections	4,070,034
Interest and Sinking Fund Balance as of September 30, 2017	$ 154,978
Anticipated Interest and Sinking Fund Balance as of September 30, 2018	$ 143,402

Table 11 - General Fund Revenues and Expenditures

	TOM GREEN COUNTY, TEXAS GENERAL FUND REVENUE AND EXPENDITURE HISTORY				
	Fiscal Years Ended September 30:				
	2017	**2016**	**2015**	**2014**	**2013**
Revenues:					
Taxes	$ 37,129,183	$ 36,455,033	$ 35,264,760	$ 33,221,027	$ 31,206,468
Fees of Office	2,706,144	2,572,136	2,525,680	2,442,239	2,573,009
Intergovernmental	1,790,436	1,821,754	1,838,254	1,547,854	1,298,658
Fines and Forfeitures	1,016,940	1,040,457	1,089,949	1,022,568	969,066
Licenses and Permits	46,303	52,267	41,459	42,502	37,266
Donations	-	-	-	293	700
Investment Earnings	181,242	111,783	54,051	38,408	40,333
Miscellaneous	1,030,434	818,314	969,052	647,232	400,141
Total Revenues	**$ 43,900,682**	**$ 42,871,744**	**$ 41,783,205**	**$ 38,962,123**	**$ 36,525,641**
Expenditures:					
Current:					
General Government	$ 14,457,872	$ 14,357,606	$ 14,223,122	$ 14,382,787	$ 12,283,917
Public Safety	23,283,728	21,050,053	19,858,555	18,667,713	17,322,255
Highways and Streets	1,608,668	1,648,745	1,572,686	-	-
Conservation	153,434	148,531	143,014	133,051	139,183
Health and Welfare	327,618	404,251	456,861	436,402	514,119
Culture and Recreation	2,561,758	2,525,630	2,553,141	2,208,320	2,049,160
Debt Service	-	-	-	290,506	39,960
Capital Outlay	2,884,839	3,319,847	5,872,543	1,616,500	637,339
Total Expenditures	**$ 45,277,917**	**$ 43,454,663**	**$ 44,679,922**	**$ 37,735,279**	**$ 32,985,933**
Excess/(Deficiency) of Revenues Over Expenditures	$ (1,377,235)	$ (582,919)	$ (2,896,717)	$ 1,226,844	$ 3,539,708
Other Financing Sources	1,503,580	104,290	200,127	923,979	109,360
Other Financing (Uses)	(172,528)	-	(1,566)	(1,009,282)	(848,805)
Total Other Sources (Uses)	$ 1,331,052	$ 104,290	$ 198,561	$ (85,303)	$ (739,445)
Beginning Fund Balance	13,003,986	13,482,615	16,180,771	15,039,230	12,238,967
Prior Period Adjustment	7,914	-	-	-	-
Residual Equity Transfers In/(Out)	-	-	-	-	-
Ending Fund Balance - Sept. 30 *	**$ 12,965,717**	**$ 13,003,986**	**$ 13,482,615**	**$ 16,180,771**	**$ 15,039,230**

Source: County's Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013 - 2017.

Table 12 - Current Investments (as of September 30, 2017)

Investment Description	Total Invested
Texas Class	$ 37,463,600
TexPool	1,623,233
CDs	30,245,482
Total	$ 69,332,315

APPENDIX B

GENERAL INFORMATION REGARDING THE COUNTY AND ITS ECONOMY

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GENERAL AND FINANCIAL INFORMATION REGARDING
TOM GREEN COUNTY, TEXAS

Location

Tom Green County (the "County") covers approximately 1,522 square miles. The County is located in the West-Central region of Texas in the Concho Valley, and is bordered by Sterling County, Coke County, Runnels County, Concho County, Schleicher County, Irion County, and Reagan County. The County seat is the City of San Angelo (the "City"), approximately 193 miles southeast of Lubbock, 259 miles southwest of Dallas, and 207 miles northwest of Austin. Population figures for the City and County are as follows:

Year	Tom Green County	City of San Angelo
2010	110,224	93,200
2000	104,010	88,439
1990	98,458	84,474
1980	84,784	73,240
1970	71,047	63,884
1960	64,630	58,815
1950	58,929	52,093

Sources: U.S. Census Bureau, City of San Angelo

Economy

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

Tom Green County Labor Force Estimates[1]

	2017[1]	2016	2015	2014	2013
Civilian Labor Force	53,585	54,206	54,485	54,752	54,443
Employed	51,982	51,764	52,236	52,541	51,664
Unemployed	1,603	2,442	2,249	2,211	2,779
Unemployment Percentage	3.0%	4.5%	4.1%	4.0%	5.1%

Source: Texas Workforce Commission.
(1) As of December 2017.

Agriculture and Agribusiness

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

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

Mineral Production

Oil and gas were discovered in the County in 1940. As of April 2014 there were 31,424 BBL of crude oil and 88,110 MCF of natural gas extracted in the County.

Source: Texas Drilling.

Major Area Employers

Employer	Type of Business	Number of Employees (January 2017)
Goodfellow Air Force Base	Military Installation	5,127
Shannon Health System	Hospital	2,712
San Angelo ISD	Public School System	1,973
Angelo State University	University	1,625
San Angelo State Supported Living Center	State School	950
City of San Angelo	Municipal Government	936
San Angelo Community Medical Center	Hospital	720
Ethicon (Johnson & Johnson)	Sutures/Needle Manufacturing	650
SITEL, Inc.	Teleservicing	602
Tom Green County	County Government	514

Source: San Angelo Chamber of Commerce

Transportation

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

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

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

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

Air service is provided by the City’s Mathis Field. Mathis Field is currently undergoing a $6.2 million renovation. The airport utilizes three runways and generally available instrument approach aids including ASR-9-terminal radar. The runways include one which is approximately 8,000 feet in length, one which is approximately 5,939 feet in length with a complete ILS system with all-weather take-off and landing capabilities, and one which is 4,100 feet in length which is a crosswind general aviation runway. The airport houses both the National Weather Service and FAA Automated Flight Service Stations at the airport as well as the U. S. Customs Service and aviation operations of Frontier Communications. The City is also served by American (American Eagle) which provide seven flights a day to Dallas-Fort Worth.

APPENDIX C

EXCERPTS FROM THE
TOM GREEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2017

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

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TOM GREEN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2017

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TOM GREEN COUNTY, TEXAS

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable County Judge and Members of the
Commissioners' Court of Tom Green County
San Angelo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tom Green County (the "County") as of September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
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HOUSTON, TX
281.671.6850

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956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tom Green County, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas *Uniform Grants Management Standards* is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 15, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Tom Green County, Texas, we offer readers of Tom Green County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here with the County's financial statements which follow.

FINANCIAL HIGHLIGHTS

- The assets of Tom Green County exceeded its liabilities as of September 30, 2017, by $66,474,853. Of this amount, $57,051,556 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors in accordance with the County's fund designations and fiscal policies.

- The County's total net position increased by $914,255 .

- As of the close of the current fiscal year, Tom Green County's governmental funds reported a combined ending fund balance of $71,934,577, an increase of $3,214,420 compared to the prior year.

- The unassigned fund balance for the General Fund was $12,393,477 or 27% of total General Fund expenditures. Unassigned fund balance decreased 2.8% from the prior year's unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of Tom Green County's finances in a manner similar to a private sector business. The *Statement of Net Position* presents information on all of the County's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Tom Green County is improving or deteriorating.

The *Statement of Activities* presents a comparison between direct expenses and revenues for each of the County's functions or programs. Direct expenses are those that are specially associated with an activity and are clearly identifiable with that activity. Program revenues include charges paid by the recipient of services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not programmatic are presented as general revenues. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Tom Green County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Tom Green County include general government, public safety, conservation, highways and streets, health and welfare, and culture and recreation. Tom Green County has no business-type activities.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Tom Green County, 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 County are categorized as either governmental funds or fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds 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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

Tom Green County maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Grants Fund, and Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Tom Green County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and the Grants Fund to demonstrate compliance with this budget. More information is available concerning the County's budget by reviewing the approved annual budget on file with the Tom Green County Clerk.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are *not* available to support Tom Green County's own programs.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information: Generally accepted accounting principles also require certain information to be presented in the required supplementary information immediately following the notes to the financial statements. Combining fund statements can also be found following this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the case of Tom Green County, assets exceeded liabilities by $66,474,853 at the close of the fiscal year.

Tom Green County's investment in capital assets (e.g. land, buildings, furniture and equipment, and roads and bridges), less any related outstanding debt used to acquire those assets, is 8% of net position. Tom Green County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Tom Green County'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 used to liquidate these liabilities.

Of the remaining net position, $57,051,556 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors, and 6%, $4,054,967, of net position is restricted.

TOM GREEN COUNTY'S NET POSITION

	Governmental Activities	
	2017	2016
Current assets	$ 79,180,178	$ 74,418,927
Capital assets	59,212,163	51,978,889
Total assets	138,392,341	126,397,816
Deferred outflows of resources	7,222,257	8,723,188
Current liabilities	5,123,473	4,903,444
Long-term liabilities	73,068,486	63,668,663
Total liabilities	78,191,959	68,572,107
Deferred inflows of resources	947,786	996,213
Net position:		
Net investment in capital assets	5,368,330	51,985,911
Restricted	4,054,967	4,121,866
Unrestricted	57,051,556	9,444,907
Total net position	$ 66,474,853	$ 65,552,684

As of September 30, 2017, the County has positive balances in all categories of net position.

TOM GREEN COUNTY'S CHANGES IN NET POSITION

	Governmental Activities	
	2017	2016
REVENUES		
Program revenues:		
Charges for services	$ 7,448,865	$ 7,005,703
Operating grants and contributions	5,747,172	4,841,694
General revenues:		
Property taxes	31,741,954	30,788,840
Other taxes	8,918,139	8,687,095
Investment earnings	821,943	363,082
Gain on sale of capital assets	1,291,601	-
Miscellaneous	124,550	262,635
Total revenues	56,094,224	51,949,049
EXPENSES		
General government	16,738,722	17,044,560
Public safety	28,673,415	24,367,842
Highways and streets	3,648,268	4,086,578
Conservation	217,480	1,271,945
Health and welfare	331,660	409,997
Culture and recreation	3,270,237	3,121,925
Interest on long-term debt	2,300,187	1,777,862
Total expenses	55,179,969	52,080,709
CHANGE IN NET POSITION	914,255	(131,660)
NET POSITION, BEGINNING	65,552,684	65,684,344
PRIOR PERIOD ADJUSTMENT	7,914	-
NET POSITION, ENDING	$ 66,474,853	$ 65,552,684

Key elements of the analysis of governmental activities through revenues and expenses include the following:

- Property tax revenues increased by $953,114 from fiscal year 2016 to 2017. This was the result of increases in the property tax base in the County. Property taxes levied on new property added to the tax base this year were $479,970. The Commissioners' Court set a total property tax rate in fiscal year 2017 of $.51250 per $100 of appraised value.

- Other tax revenue included sales tax collections of $8,548,166. This is an increase of 2.8% from fiscal year 2016, indicating a stabilizing economy after oil field activity slowed in the prior year. The diversity of the businesses located in the County continues to provide long-term stability.

- Total expenses for governmental activities increased by 6.0% across the functions of government. This increase is composed of an approximate 10% increase in employee health insurance premium costs, and the County also provided cost of living wage increases of 3% for most employees. In addition, the renovation project on the Edd B. & Frances Frink Keyes building on the first and second floor was completed in fiscal year 2017. These costs are part of the increase in the general category.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, Tom Green County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Tom Green County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing Tom Green County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At the end of the 2017 fiscal year, Tom Green County's governmental funds reported a combined ending fund balance of $71,934,577, an increase of $3,214,420 compared with the prior year.

The General Fund is the chief operating fund of Tom Green County. At the end of fiscal year 2017, the General Fund had a fund balance of $12,965,717 with $22,195 classified as nonspendable. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27% of total General Fund expenditures. In addition, overall revenue in the General Fund increased $1,028,938 from 2016, and General Fund expenditures increased $1,823,254 in the same time.

Descriptions of Functions/Programs:

General Government: The costs associated with management and support departments (e.g. County Treasurer, Human Resources, and Risk Management), operations of the court systems and prosecution offices (District and County Courts, Justices of the Peace, District and County Attorneys), costs of maintaining public facilities including the Justice Center and the Juvenile Detention Center, the Elections Department, and financial administration for the County.

Public Safety: The costs associated with the investigation and arrest of individuals suspected to be involved in criminal activities as well as costs associated with emergency services (i.e. Sheriff's Department, Constables, and Volunteer Fire Departments), in addition to the operations of the court systems and prosecution offices (District and County Courts, Justices of the Peace, District and County Attorneys).

Conservation: Includes support for the agriculture and homemakers extension office.

Highways and Streets: The costs associated with County road and bridge departments and maintaining the County's infrastructure.

Health and Welfare: The costs associated with providing health benefits to citizens of the County (i.e. Indigent Health Care, Mental Health Unit, and contributions to support organizations).

Culture and Recreation: The costs associated with the operations of the County Library and Parks.

Interest on Long-term Debt: The finance charges associated with debt issuances for construction of County facilities.

Capital Assets and Debt Administration

The County's investment in capital assets for its governmental activities as of September 30, 2017, amounts to $59,212,163 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure (roads and bridges), equipment, and furnishings. In addition, the County capitalized the following amounts during the year in completing capital projects or purchasing assets:

Land	$	4,792
Construction in progress		6,994,668
Buildings		1,749,489
Machinery and equipment		1,987,934
Infrastructure		524,022

CAPITAL ASSETS

	Historical Cost	Accumulated Depreciation	Net Investment
Land	$ 3,794,801	$ -	$ 3,794,801
Construction in progress	9,045,811	-	9,045,811
Buildings and improvements	70,663,046	33,722,895	36,940,151
Improvements other than buildings	57,870	42,200	15,670
Machinery and equipment	20,474,989	14,110,486	6,364,503
Infrastructure	23,660,550	20,609,323	3,051,227
Total	$ 127,697,067	$ 68,484,904	$ 59,212,163

LONG-TERM DEBT

At the end of the current fiscal year, the County's long-term outstanding debt was as follows:

	Original Amount	Interest Rate	Balance 09/30/17
Certificates of Obligation	$ 59,515,000	2-5%	$ 59,515,000
Bond premium	4,405,468	N/A	4,222,428
Compensated absences	N/A	N/A	1,469,522
Net pension liability	N/A	N/A	7,211,433
Net OPEB obligation	N/A	N/A	650,103
Total			$ 73,068,486

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2017, significant budget items included cost of living wage increases for County employees, health care costs for employees and new vehicle and equipment purchases as the County maintains its fleet. Renovation of the second floor of the Edd B. & Frances Frink Keyes building was started at the beginning of the fiscal year 2016 and was completed in mid-fiscal year of 2017. Various offices including Commissioners' Court moved into the space, accommodating their activities much better than before. The Commissioners' Court also made revisions during the year to the original appropriations approved for the 2017 fiscal year budget. These revisions were mainly transfers within departments necessary to cover the expenditures of office by individual line items. Property tax rates remained the same as fiscal year 2016, while property values increased. This allowed the County to absorb the higher costs of interest due on debt and outside prisoner housing, within the existing property tax rate. The County budgets conservatively for anticipated revenues and expenditures, allowing for an adequate reserve in fund balance as a safety net and savings for the future.

ECONOMIC FACTORS

The growth in the oil field from recent years, and related industries, began a significant slowdown during fiscal year 2016 due to the market prices of crude. While neighboring Counties have felt a more substantial effect of this slow down, Tom Green County's diverse local economy has blunted the impact. Property tax values continued to increase, with some more expected growth in the next few years due to market conditions and some areas of under-valuation from previous years. Equity has been well preserved in the County and has allowed for major projects like the Edd B. & Frances Frink Keyes building renovation to be paid without incurring debt.

FUTURE BUDGET CONCERNS

The County continues to budget and plan for capital improvements to maintain its assets and provide suitable space for public business and County employees. Early in fiscal year 2017, the County issued additional certificates of obligation to fund the budgets for completion of construction of a new County jail and to pay for renovations to court room facilities at the Tom Green County courthouse. Based on changes in the design of the new jail, additional certificates of obligation in the future will be necessary to complete the project. While most of the proceeds will be necessary for the jail, the County will need to address the future renovation and significant maintenance that the County courthouse requires. Planning for the operations of these facilities must incorporate long term growth in the County and include comprehensive needs assessments for all departments affected, to include a number of new staff positions that will be necessary for the new jail. The County also must continue to address employee retention and compensation for its employees. Health care benefits are a major budget item that has increased each year, and the County will be assessing long term plans and options for future funding. In addition, a large number of employees are nearing retirement age, and a plan is necessary to attract and retain qualified workers. Additionally, the County has experienced a significant increase in felony criminal caseload, including several capital trials. These trials, and the processing of the remainder of the felony docket, are large cost drivers. The County must plan to fund them while still maintaining an adequate reserve in equity. The County has and continues to make efforts at improving cost efficiencies with each budget in various other areas to best utilize taxpayer funds.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tom Green County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

County Auditor's Office
113 W. Beauregard Avenue
San Angelo TX 76903

BASIC
FINANCIAL STATEMENTS

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TOM GREEN COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Governmental Activities
ASSETS	
Cash	$ 3,086,410
Investments	69,287,672
Receivables (net of allowances for uncollectibles)	4,471,718
Due from other governments	2,311,877
Prepaid expenses	2,131
Inventory	20,370
Capital assets:	
Land	3,794,801
Construction in progress	9,045,811
Buildings	70,663,046
Improvements other than buildings	57,870
Furniture and equipment	20,474,989
Infrastructure	23,660,550
Less: accumulated depreciation	(68,484,904)
Total capital assets	59,212,163
Total assets	138,392,341
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	7,222,257
Total deferred outflows	7,222,257
LIABILITIES	
Accounts payable	4,056,575
Accrued liabilities	440,700
Due to other governments	100,446
Accrued interest	525,252
Noncurrent liabilities:	
Due within one year	1,828,904
Due in more than one year	71,239,582
Total liabilities	78,191,959
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	947,786
Total deferred inflows	947,786
NET POSITION	
Net investment in capital assets	5,368,330
Restricted for:	
Debt service	249,692
Juvenile probation	1,334,853
Road and bridge	779,992
Other	1,690,430
Unrestricted	57,051,556
Total net position	$ 66,474,853

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

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TOM GREEN COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenue		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	$ 16,738,722	$ 4,067,434	$ 1,693,047	$(10,978,241)
Public safety	28,673,415	1,548,102	3,788,304	(23,337,009)
Highways and streets	3,648,268	1,739,419	16,422	(1,892,427)
Conservation	217,480	55,375	61,076	(101,029)
Health and welfare	331,660	10,017	69,675	(251,968)
Culture and recreation	3,270,237	28,518	118,648	(3,123,071)
Interest on long-term debt	2,300,187	-	-	(2,300,187)
Total governmental activities	$ 55,179,969	$ 7,448,865	$ 5,747,172	(41,983,932)
	General revenues:			
	Taxes:			
	Property, levied for general purposes			28,177,187
	Property, levied for debt service			3,564,767
	Sales			8,548,166
	Other			369,973
	Unrestricted investment earnings			821,943
	Gain on sale of capital assets			1,291,601
	Miscellaneous			124,550
	Total general revenues			42,898,187
	Change in net position			914,255
	Net position - beginning			65,552,684
	Prior period adjustment			7,914
	Net position - beginning - restated			65,560,598
	Net position - ending			$ 66,474,853

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

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TOM GREEN COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General	Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ -	$ -	$ 1,034,669	$ 2,051,741	$ 3,086,410
Investments	11,852,356	-	55,852,667	1,582,649	69,287,672
Receivables (net of allowances for uncollectibles):					
Accounts	1,815,254	-	32,363	25,940	1,873,557
Taxes:					
Property	877,575	-	-	94,714	972,289
Sales	1,539,349	-	-	-	1,539,349
Mixed beverage	86,523	-	-	-	86,523
Due from other funds	1,176,310	-	-	622,000	1,798,310
Due from other governments	276,375	1,793,965	-	241,537	2,311,877
Inventory	20,370	-	-	-	20,370
Prepaid items	1,825	-	-	306	2,131
Total assets	17,645,937	1,793,965	56,919,699	4,618,887	80,978,488
LIABILITIES					
Accounts payable	1,613,615	59,998	$ 1,908,494	474,468	4,056,575
Accrued liabilities	409,243	5,890	-	25,567	440,700
Due to other governments	100,446	-	-	-	100,446
Due to other funds	4,249	1,729,657	-	64,404	1,798,310
Unearned revenue	-	500	-	-	500
Total liabilities	2,127,553	1,796,045	1,908,494	564,439	6,396,531
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	799,024	-	-	94,713	893,737
Unavailable revenue - fines and fees	1,753,643	-	-	-	1,753,643
Total deferred inflows of resources	2,552,667	-	-	94,713	2,647,380
FUND BALANCES					
Nonspendable	22,195	-	-	306	22,501
Restricted	-	-	55,011,205	3,962,038	58,973,243
Assigned	550,045	-	-	-	550,045
Unassigned	12,393,477	(2,080)	-	(2,609)	12,388,788
Total fund balances	12,965,717	(2,080)	55,011,205	3,959,735	71,934,577
Total liabilities, deferred inflows of resources, and fund balances	$ 17,645,937	$ 1,793,965	$ 56,919,699	$ 4,618,887	80,978,488

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.	$ 59,212,163
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not included in fund balance.	2,647,380
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.	(73,593,738)
Deferred outflows of resources related to pensions and deferred inflows of resources related to pensions are not included in the fund financial statements.	6,274,471
Net position of governmental activities	$ 66,474,853

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

TOM GREEN COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 37,129,183	$ -	$ -	$ 3,557,208	$ 40,686,391
Fees of office	2,706,144	-	-	2,045,651	4,751,795
Intergovernmental	1,790,436	2,745,915	-	481,151	5,017,502
Fines and forfeitures	1,016,940	-	-	1,121,986	2,138,926
Licenses and permits	46,303	-	-	-	46,303
Investment income	181,242	-	608,249	29,840	819,331
Miscellaneous	1,030,434	24,318	-	179,219	1,233,971
Total revenues	43,900,682	2,770,233	608,249	7,415,055	54,694,219
EXPENDITURES					
Current:					
General government	14,457,872	75,115	11,555	690,497	15,235,039
Public safety	23,283,728	2,552,241	-	1,302,679	27,138,648
Highways and streets	1,608,668	14,162	-	1,130,821	2,753,651
Culture and recreation	2,561,758	98,302	-	22,142	2,682,202
Health and welfare	327,618	-	-	-	327,618
Conservation	153,434	-	-	60,010	213,444
Debt service:					
Interest and other charges	-	-	-	3,693,716	3,693,716
Capital outlay	2,884,839	32,493	6,994,667	745,482	10,657,481
Total expenditures	45,277,917	2,772,313	7,006,222	7,645,347	62,701,799
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,377,235)	(2,080)	(6,397,973)	(230,292)	(8,007,580)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	1,267,755	-	-	60,660	1,328,415
Proceeds from the issuance of debt	-	-	9,515,000	-	9,515,000
Bond premium	-	-	225,000	153,585	378,585
Transfers in	235,825	-	-	172,528	408,353
Transfers out	(172,528)	-	-	(235,825)	(408,353)
Total other financing sources (uses)	1,331,052	-	9,740,000	150,948	11,222,000
NET CHANGE IN FUND BALANCES	(46,183)	(2,080)	3,342,027	(79,344)	3,214,420
FUND BALANCES, BEGINNING	13,003,986	-	51,669,178	4,039,079	68,712,243
PRIOR PERIOD ADJUSTMENT	7,914	-	-	-	7,914
FUND BALANCES, ENDING	$ 12,965,717	$(2,080)	$ 55,011,205	$ 3,959,735	$ 71,934,577

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

TOM GREEN COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds:	$ 3,214,420
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	7,270,088
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(36,814)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	108,399
The issuance of long-term debt (e.g. bonds) 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, discounts, and similar items when debt is first issued, whereas the 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 debt	(9,515,000)
Net pension obligation	(1,012,563)
Amortization of:	
Premium	(378,585)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	1,264,310
Change in net position of governmental activities	$ 914,255

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

TOM GREEN COUNTY, TEXAS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

SEPTEMBER 30, 2017

		Agency Funds
ASSETS		
Cash	$	4,051,856
Investments		781,164
Accounts receivable		33,674
Due from other governments		10,255
Total assets	$	4,876,949
LIABILITIES		
Accounts payable	$	3,348,965
Due to other governments		1,527,984
Total liabilities	$	4,876,949

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Tom Green is an independent governmental entity created under the laws of the State of Texas. The County is governed by an elected Commissioners' Court. The reporting entity is defined as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit. The County has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. The County has no business-type activities.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the fiduciary 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County has the following major governmental funds:

> The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The ***Grants Fund*** is used to account for a variety of federal and state awards received by the County during the course of a given fiscal year. Revenues and expenditures of these awards are accounted for separately from other governmental funds to aid in reporting and record keeping requirements of the grants.
>
> The ***Capital Projects Fund*** is used to account for proceeds from the 2015 Certificates of Obligation and the 2017 Certificates of Obligation, which are to be used for the construction and improvements of a variety of County facilities.

Additionally, the County reports the following fund types:

> ***Debt Service Funds*** are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
>
> ***Capital Projects Funds*** account for the acquisition and construction of the County's major capital facilities.
>
> ***Agency Funds*** are used to account for assets held by the County as an agent for individuals, private organizations or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

<u>Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/ Fund Balance</u>

Deposits and Investments

The County maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The County has adopted a written investment policy regarding the investment of its funds as defined in Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the County is authorized to invest in the following:

- Obligations of the United States or its agencies and instruments;
- Obligations of State of Texas or its agencies and instrumentalities; and
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the time of the fiscal year is referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

All property tax receivables are shown net of an allowance for uncollectibles.

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

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than $3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Infrastructure (roads and bridges)	20
Buildings and improvements	20 - 30
Vehicles	5
Machinery and equipment	3 - 15

Deferred Outflows/Inflows of Resources

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

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a four year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.

- In the statement of net position, the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the current period.

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

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners' Court or County Judge.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $(73,593,738) difference are as follows:

Bonds and notes payable	$(59,515,000)
Accrued interest payable	(525,252)
Compensated absences	(1,469,522)
Net OPEB obligation	(650,103)
Net pension liability	(7,211,433)
Bond premium	(4,222,428)
Net adjustment to decrease *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$(73,593,738)

Explanation of Certain Differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of this $7,270,088 difference are as follows:

Capital outlay	$ 11,260,905
Depreciation expense	(3,990,817)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 7,270,088

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $108,399 difference are as follows:

Property tax revenue	$(23,691)
Fines and fees	132,090
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 108,399

Another element of that reconciliation states, "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." The details of this $1,264,310 difference are as follows:

Compensated absences	$(40,468)
Accrued interest	1,210,489
Increase in net OPEB obligation	(88,751)
Amortized bond premium	183,040
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 1,264,310

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As of September 30, 2017, the following funds had deficit fund balance:

Fund	Deficit
Grants	(2,080)
County Attorney Pretrial Diversion Program	(2,609)

These deficits are expected to be funded with future revenues in their respective funds.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2017, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Texas CLASS	$ 37,463,600	12
TexPool	1,623,233	35
Certificates of deposit	30,245,482	
Total fair value	$ 69,332,315	
Portfolio weighted average maturity (days)		26

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the County's obligations and market rate of return. 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 County's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "Investment Strategy" that specifically addresses limitations on instruments, diversification, and maturity scheduling.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

Obligations of the United States of America, its agencies and instrumentalities;

Certificates of deposit issued by a bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the law of another state, or federal law, that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits for the County.

Money market mutual funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a net position value of $1 per share;

Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and 3) are authorized by resolution or ordinance by Commissioners' Court.

Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its investment portfolios to a maximum of 90 days.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2017, the County's deposit balance was entirely collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Credit Risk

It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The County's investment pools are rated as follows by Standard & Poor's Investors Service.

Texas CLASS	AAAm
TexPool	AAAm

Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Governmental Funds	Total
Receivables:				
Taxes	$ 2,648,763	$ -	$ 115,083	$ 2,763,846
Accounts	5,907,088	32,363	25,940	5,965,391
Gross receivables	8,555,851	32,363	141,023	8,729,237
Less: allowance for uncollectibles	4,237,150	-	20,369	4,257,519
Net total receivables	$ 4,318,701	$ 32,363	$ 120,654	$ 4,471,718

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 3,790,009	$ 4,792	$ -	$ 3,794,801
Construction in progress	4,323,505	6,994,668	(2,272,362)	9,045,811
Total capital assets being depreciated	8,113,514	6,999,460	(2,272,362)	12,840,612
Capital assets, being depreciated:				
Buildings	66,641,195	4,021,851	-	70,663,046
Improvements other than buildings	57,870	-	-	57,870
Infrastructure	23,136,528	524,022	-	23,660,550
Machinery and equipment	19,740,203	1,987,934	(1,253,148)	20,474,989
Total capital assets being depreciated	109,575,796	6,533,807	(1,253,148)	114,856,455
Less accumulated depreciation:				
Buildings	(31,686,747)	(2,036,148)	-	(33,722,895)
Improvements other than buildings	(39,306)	(2,894)	-	(42,200)
Infrastructure	(20,271,592)	(337,731)	-	(20,609,323)
Machinery and equipment	(13,712,776)	(1,614,044)	1,216,334	(14,110,486)
Total accumulated depreciation	(65,710,421)	(3,990,817)	1,216,334	(68,484,904)
Total capital assets being depreciated, net	43,865,375	2,542,990	(36,814)	46,371,551
Governmental activities capital assets, net	$ 51,978,889	$ 9,542,450	$(2,309,176)	$ 59,212,163

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
General government	$ 1,293,361
Public safety	1,309,694
Highways and streets	858,302
Culture and recreation	529,460
	$ 3,990,817

Interfund Receivables, Payables and Transfers

Due to/from other funds:

	Due to:			
	General	Grants	Nonmajor Funds	Total
Due from:				
General	$ -	$ 1,114,498	$ 61,812	$ 1,176,310
Nonmajor Funds	4,249	615,159	2,592	622,000
Total	$ 4,249	$ 1,729,657	$ 64,404	$ 1,798,310

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

	Transfers out		
	General	Nonmajor Funds	Total
Transfers in:			
General	$ -	$ 235,825	$ 235,825
Nonmajor Funds	172,528	-	172,528
Total transfers	$ 172,528	$ 235,825	$ 408,353

Transfers are used to: (1) move revenues from the fund required by statute or budget to collect them to the fund required by budget to expend them; and (2) fund the County's match portion for grants.

Fund Balance

As of September 30, 2017, governmental fund balance is composed of the following:

Fund Balance Classification	General	Grants	Capital Projects	Other Governmental	Total
Nonspendable:					
Inventories	$ 20,370	$ -	$ -	$ -	$ 20,370
Prepaid items	1,825	-	-	306	2,131
Total Nonspendable	22,195	-	-	306	22,501
Restricted:					
Retirement of long-term debt	-	-	-	154,979	154,979
Road and bridge	-	-	-	786,759	786,759
Library services	-	-	-	350,860	350,860
Federal and state programs	-	-	-	1,371,957	1,371,957
Judicial services	-	-	-	337,893	337,893
County Clerk	-	-	-	503,011	503,011
District Clerk	-	-	-	95,799	95,799
Justice Court technology	-	-	-	152,242	152,242
Courthouse security	-	-	-	76,845	76,845
County Attorney	-	-	-	12,669	12,669
Election services	-	-	-	119,014	119,014
Capital projects	-	-	55,011,205	10	55,011,215
Total Restricted	-	-	55,011,205	3,962,038	58,973,243
Assigned:					
Juvenile services	31,010	-	-	-	31,010
Judicial services	519,035	-	-	-	519,035
Total Assigned	550,045	-	-	-	550,045
Unassigned	12,393,477	(2,080)	-	(2,609)	12,388,788
Total governmental fund balance	$ 12,965,717	$(2,080)	$ 55,011,205	$ 3,959,735	$ 71,934,577

Long-term Debt

The County had the following outstanding debt issues as of September 30, 2017:

$ 50,000,000 Certificate of Obligation issued in 2015; interest at 3% - 5%	$ 50,000,000
9,515,000 Certificate of Obligation issued in 2017; interest at 2% - 4%	9,515,000
Total	$ 59,515,000

On February 23,2017, the County issued $9,515,000 of Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017. The proceeds from the sale of the Certificates will be used for (i) constructing and equipping a new County jail, including related parking, landscaping and infrastructure; (ii) acquiring, constructing and equipping improvements and renovations to the County Courthouse; (iii) with any surplus funds being used for constructing and equipping a facility for justices of the peace and County tax assessor-collector, including related parking, landscaping and infrastructure, and/or constructing and equipping improvements and renovations to the County public library; (iv) the acquisition of land and interests in land for such projects; and (v) legal, fiscal, architectural, engineering and other professional fees in connection with such projects. The Certificates have an interest rate ranging from 2.00% to 4.00% and a maturity date of 2038.

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2018	$ 1,535,000	$ 2,546,609
2019	1,830,000	2,348,575
2020	1,915,000	2,262,625
2021	2,035,000	2,170,425
2022	2,130,000	2,073,300
2023-2027	12,170,000	8,835,025
2028-2032	15,180,000	5,995,878
2033-2037	18,595,000	2,598,331
2038	4,125,000	76,594
Total	$ 59,515,000	$ 28,907,362

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Certificates of obligation	$ 50,000,000	$ 9,515,000	$ -	$ 59,515,000	$ 1,535,000
Compensated absences	1,429,054	2,122,123	2,081,655	1,469,522	293,904
Unamortized bond premium	4,026,883	378,585	183,040	4,222,428	-
Net pension liability	7,651,374	1,677,408	2,117,349	7,211,433	-
Net OPEB obligation	561,352	99,030	10,279	650,103	-
Governmental activity long-term liabilities	$ 63,668,663	$ 13,792,146	$ 4,392,323	$ 73,068,486	$ 1,828,904

Conduit Debt Obligations

In 2013, the County created the Tom Green County Cultural Education Facilities Finance Corporation, which issued Education Revenue Bonds, the proceeds thereof were loaned to an open enrollment public charter school in San Angelo, Texas. The proceeds were used to finance the construction and repair of public school facilities and the acquisition of land deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the public charter school. Tom Green County, the State, or any other political subdivision thereof is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2017, there are three series of Education Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $16.4 million.

Defined Benefit Pension Plan

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tcdrs.org*.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	746
Active employees	725
	1,471

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 8.13% and 7.57% in calendar years 2016 and 2017, respectively. The County's contributions to TCDRS for the year ended September 30, 2017, were $2,040,402, and were equal to the required contributions.

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

Actuarial Assumptions

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

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment rate of return	8.1%, net of pension plan investment expense, including inflation

The County has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2016, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2015 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2017 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	13.5%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	16.0%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed Markets	MSCI World Ex USA (net)	10.0%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	7.0%	5.70%
Investment-Grade Bonds	Bloomberg Barclays Capital U.S. Aggregate Bond Index	3.0%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.0%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.0%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.0%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	3.0%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.0%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.0%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.0%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.0%	3.85%

(1) *Target asset allocation adopted at the April 2017 TCDRS Board meeting.*
(2) *Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.*
(3) *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*
(4) *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*
(5) *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 93,895,101	$ 86,243,727	$ 7,651,374
Changes for the year:			
Service cost	3,133,160	-	3,133,160
Interest on total pension liability [1]	7,540,376	-	7,540,376
Effect of plan changes [2]	-	-	-
Effect of economic/demographic gains or losses	(391,629)	-	(391,629)
Refund of contributions	(749,147)	(749,147)	-
Benefit payments	(4,024,037)	(4,024,037)	-
Administrative expenses	-	(69,358)	69,358
Member contributions	-	1,824,236	(1,824,236)
Net investment income	-	6,377,104	(6,377,104)
Employer contributions	-	2,117,315	(2,117,315)
Other [3]	-	472,551	(472,551)
Balance at 12/31/2016	$ 99,403,824	$ 92,192,391	$ 7,211,433

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

[2] *Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.*

[3] *Relates to allocation of system-wide items.*

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$ 112,072,259	$ 99,403,824	$ 88,863,486
Fiduciary net position	92,192,391	92,192,391	92,192,391
Net pension liability/(asset)	$ 19,879,868	$ 7,211,433	$(3,328,905)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at *www.tcdrs.org*.

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

For the year ended September 30, 2017, the County recognized pension expense of $1,012,564.

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 947,786	$ -
Changes in actuarial assumptions	-	519,644
Difference between projected and actual investment earnings	-	5,162,840
Contributions subsequent to the measurement date	-	1,539,773
Total	$ 947,786	$ 7,222,257

$1,539,773 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,		
2018	$	1,575,553
2019		1,605,785
2020		1,435,035
2021		118,325

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases workers' compensation insurance coverage from the Texas Association of Counties Self-insurance Fund, a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of $300,000.

The County maintains commercial insurance coverage covering other risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. There have been no significant reductions in insurance coverage from the prior year.

Commitments and Contingencies

Litigation

The County is party to various legal proceedings which normally occur in governmental operations. In the opinion of management, these legal proceedings are not likely to have a material adverse impact on the affected funds of the County. No accrual has been made for any contingency in these financial statements.

Federal and State Grants

In the normal course of operations, the County receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

Post-Employment Benefits Other Than Pension Benefits

Plan Participants

Eligible plan participants are retirees who are eligible and elect to receive a monthly annuity from the Texas County and District Retirement System (TCDRS). TCDRS retirement forms must be completed prior to resignation and must take effect immediately upon terminating employment with the County. Retirees who subscribe to the County's health insurance may stay on the plan until they reach the age of Medicare eligibility (currently age 65). Dependents of retirees may be eligible only if the dependent has been on the County's insurance plan for a minimum of one year prior to the employee's retirement date.

Normal Retirement Benefits

Eligible plan participants who elect to continue with the County's health insurance plan are responsible for paying their own monthly premiums. The County does not provide any payment toward these premiums. In addition to the premium, a 2% fee above the premium rate is charged by the County to the retiree for administrative handling of these plan participants.

Health Care Benefit Eligibility Conditions

TCDRS monthly annuity retirement is required. Once a retiree reaches Medicare eligibility, they are no longer eligible to purchase the County's health insurance. Dependents of retirees must have been on the County's insurance plan at least one year prior to the employee's retirement date.

Health Care Benefits Provided by Plan

Member:	Health Insurance
Spouse:	Health Insurance
Dependent:	Health Insurance

Summary of Benefits

The County does not offer dental or vision insurance to retirees, but dental insurance is available from COBRA.

Early retirement benefits are available only if conditions for retirement have been met according to the TCDRS plan (vested and age 60, service time plus age equals 75, or completed 30 years service time at any age). Eight years of service credit in the TCDRS system are required to vest for retirement and qualify for the County's contribution.

Funding Policy and Annual OPEB Cost

The County's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost for the fiscal year ended September 30, 2017, is as follows:

Annual required contribution	$ 103,416
Interest on OPEB obligation	25,261
Adjustment to ARC	(29,647)
Annual OPEB expense, end of year	99,030
Net estimated employer contributions	(10,279)
Increase in net OPEB obligation	88,751
Net OPEB obligation, beginning of year	561,352
Net OPEB obligation, end of year	$ 650,103

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017, and the preceding two fiscal years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
September 30, 2015	$ 77,430	$ 10,231	13.2%	$ 492,875
September 30, 2016	78,977	10,500	13.3%	561,352
September 30, 2017	99,030	10,279	10.4%	650,103

Under the reporting parameters, the County's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $650,103 at December 31, 2017, the date of the most recent valuation.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Valuation Date:	October 1, 2016
Discount Rate:	4.5% per annum
Salary Scale:	Not applicable, but a 3.0% increase is applied for amortization purposes
Mortality:	RP2014 Mortality Table, with (MP2014 projection)
Withdrawal:	Select rates include: 1yr, 16%; 5yr, 7%; 10yr, 4%; 15yr, 2%
Disability:	N/A
Retirement: (anticipates required service completed at retirement)	The following table illustrates the retirement rates:

Retirement Age	Retirement Rates
50-51	12%
52-54	13%
55-59	14%
60	15%
61	13%
62	28%
63	17%
64	17%
65	100%

Health Care Cost Trend Rate: The following table illustrates the assumed health care trend rate for each future year:

Year	(Medical) Assumed Increase
1	7.50%
2	7.25%
3	7.00%
4	6.75%
5	6.50%
6	6.00%
7	5.50%
8	5.00%
9+	4.50%

Marital - Actives:	Wife is assumed to be same age as the husband. 10% of those who retire and take coverage are assumed elect coverage for the spouse.
Participation Rate:	15% of retirees are expected to take coverage and pay 100% of the blended premium.
Inflation Rate:	3.0% per annum
Asset Valuation Method:	Market value.
Amortization Basis:	Level percentage of payroll, open, over 30 years. (3.0% increase applied each year)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Prior Period Adjustment

In the prior year, revenues were understated in the general fund and the governmental activities by $7,914. As a result, fund balance and net position was restated at the beginning of the year.

Tax Abatement

The County can enter into agreements with new, developing, and expanding businesses to promote local economic development. The County has effective agreements with two businesses to rebate 50% of the incremental increase in property taxes since 2014. The County entered into these agreements in March 2014 and may extend these agreements for an additional period of five years. Commitments by the developer include establishing a facility, house commercial vehicles, and equipment. As of year-end $447,844 was rebated, including $50,328 in the current fiscal year.

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

TOM GREEN COUNTY, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018
IN THE AGGREGATE PRINCIPAL AMOUNT OF $7,960,000

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

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

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

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

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

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

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

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

Respectfully,

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