(See "Continuing Disclosure Information" herein.)

OFFICIAL STATEMENT

Dated August 13, 2018

Ratings:
Fitch: "AA"
S&P: "AA-"
See "OTHER INFORMATION – Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – Tax Exemption" herein, including the alternative minimum tax on corporations.

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

$17,540,000
ANDREWS COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2018

Dated Date: August 15, 2018
Interest to Accrue from Date of Delivery

Due: February 15, as shown on page 2

PAYMENT TERMS. . . Interest on the $17,540,000 Andrews County, Texas, Certificates of Obligation, Series 2018 (the "Certificates") will accrue from the date of delivery and will be payable February 15 and August 15 of each year, commencing February 15, 2019, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof 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 "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of Andrews County, Texas (the "County"), payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the order authorizing the Certificates (the "Order") (see "THE CERTIFICATES - Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) construction and equipping a new jail facility, including a new sheriff's office and (ii) paying the costs associated with the issuance of the Certificates.

CUSIP PREFIX: 034447
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on September 13, 2018.

MATURITY SCHEDULE

$8,870,000 SERIAL CERTIFICATES

Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP [1]	Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP [1]
$620,000	2019	5.000%	1.550%	034447CA8	$735,000	2025	5.000%	2.400%	034447CG5
595,000	2020	5.000%	1.700%	034447CB6	775,000	2026	5.000%	2.500%	034447CH3
620,000	2021	3.000%	1.850%	034447CC4	815,000	2027	5.000%	2.600%	034447CJ9
645,000	2022	5.000%	2.050%	034447CD2	855,000	2028	5.000%	2.700%	034447CK6
675,000	2023	3.000%	2.150%	034447CE0	900,000	2029	5.000%	2.800% [2]	034447CL4
700,000	2024	5.000%	2.300%	034447CF7	935,000	2030	3.000%	3.000%	034447CM2

(Interest to accrue from the date of delivery)

$8,670,000 TERM CERTIFICATES

$1,960,000 3.125% Term Certificates Maturing February 15, 2032, Priced to Yield 3.264%, CUSIP[1]: 034447CP5
$2,090,000 3.250% Term Certificates Maturing February 15, 2034, Priced to Yield 3.375%, CUSIP[1]: 034447CR1
$2,230,000 3.375% Term Certificates Maturing February 15, 2036, Priced to Yield 3.490%, CUSIP[1]: 034447CT7
$2,390,000 3.500% Term Certificates Maturing February 15, 2038, Priced to Yield 3.608%, CUSIP[1]: 034447CV2

(Interest to accrue from the date of delivery)

---

(1) 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. 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 Initial Purchaser or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Certificates will be called on the first optional call date, February 15, 2028, at par.

OPTIONAL REDEMPTION. . . The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION... The Certificates maturing on February 15 in the years 2032, 2034, 2036 and 2038 (the "Term Certificates") are also subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE CERTIFICATES – Mandatory Sinking Fund Redemption."

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

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

The information set forth herein has been obtained from the County and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the 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.

Neither the County nor its Financial Advisor nor the Initial Purchaser makes any representation as to the accuracy, completeness, or adequacy of the information about The Depository Trust Company or its book-entry-only system as such information has been supplied by The Depository Trust Company for use in this Official Statement.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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 FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER."

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. SEE "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE."

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED ANY OF THE CERTIFICATES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE COUNTY .... The County is a political subdivision of the State of Texas (the "State"), located in far west Texas. The County covers approximately 1,504 square miles (see "INTRODUCTION - Description of the County").

THE CERTIFICATES .... The $17,540,000 Andrews County, Texas Certificates of Obligation, Series 2018 are issued in part as serial certificates maturing on February 15 in each of the years 2019 through 2030 and in part as term certificates maturing on February 15 in the years 2032, 2034, 2036 and 2038 (see "THE CERTIFICATES – Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates will accrue from the date of delivery, and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE .... The Certificates are authorized and issued pursuant to the general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an Order adopted by the Commissioners Court of the County (see "THE CERTIFICATES - Authority for Issuance").

SECURITY FOR THE CERTIFICATES............................ The Certificates constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the County, as provided in the Order (see "THE CERTIFICATES - Security and Source of Payment").

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.............................. The County **has not** designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

REDEMPTION .... The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

The Certificates maturing on February 15 in the years 2032, 2034, 2036 and 2038 (the "Term Certificates") are also subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE CERTIFICATES – Mandatory Sinking Fund Redemption."

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

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used (i) for construction and equipping a new jail facility, including a new sheriff's office, and (ii) to pay the costs associated with the issuance of the Certificates.

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

BOOK-ENTRY-ONLY SYSTEM .... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof 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 "THE CERTIFICATES - Book-Entry-Only System").

PAYMENT RECORD .... The County has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9-30	Estimated County Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2014	17,000	$ 6,047,974,474	$ 355,763	$ 68,775,000	$ 4,046	1.14%	100.30%
2015	17,000	7,230,654,237	425,333	66,945,000	3,938	0.93%	99.32%
2016	17,000	4,981,547,591	293,032	65,050,000	3,826	1.31%	100.94%
2017	17,000	3,585,606,358	210,918	63,080,000	3,711	1.76%	98.60%
2018	17,000	4,330,418,573	254,731	17,540,000 (3)	1,032 (3)	0.41% (3)	96.63% (4)

(1) Source: The County.
(2) As reported by the Andrews County Appraisal District on the County's Annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Projected. Includes the Certificates.
(4) Partial year collections as of June 30, 2018.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Beginning Balance	$ 26,261,570	$ 19,608,043	$ 13,655,233	$ 15,497,010	$ 15,294,460
Total Revenue	22,262,066	25,478,138	26,490,677	23,802,696	21,872,916
Total Expenditures	18,479,400	18,709,831	21,182,340	22,566,208	20,511,843
Other Financing Sources	-	(35,876)	644,473	(3,078,265)	(1,158,523)
Balance Adjustment	-	(78,904)	-	-	-
Ending Balance	$ 30,044,236	$ 26,261,570	$ 19,608,043	$ 13,655,233	$ 15,497,010

For additional information regarding the County, please contact:

Richard H. Dolgener
County Judge
Andrews County
201 North Main, Room 104
Andrews, Texas 79714
(432) 524-1401

or

George H. Williford
Regional Managing Director
Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 953-4000

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

County Officials	Title	Length of Service to County	Term Expires
Richard H. Dolgener	County Judge	18 Years	December 31, 2018
Kerry Pack	County Commissioner, Precinct 1	1 Year	December 31, 2020
Brad Young	County Commissioner, Precinct 2	15 Years	December 31, 2018
Jeneane Anderegg	County Commissioner, Precinct 3	4 Years	December 31, 2020
Jim Waldrop	County Commissioner, Precinct 4	10 Years	December 31, 2022
Carol Chisum White, CPA	County Auditor	1 Year	December 31, 2018
Vicki Scott	County Clerk	Newly Appointed	December 31, 2022

CONSULTANTS AND ADVISORS

Auditors..Wayne M. Manning, CPA
Andrews, Texas

Bond Counsel..Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor..Hilltop Securities Inc.
Dallas, Texas

(This Page Intentionally Blank)

OFFICIAL STATEMENT

RELATING TO

$17,540,000
ANDREWS COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $17,540,000 Andrews County, Texas, Certificates of Obligation, Series 2018 (the "Certificates,"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order which authorized the issuance of the Certificates (the "Order "), except as otherwise indicated herein.

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

DESCRIPTION OF THE COUNTY . . . The County was organized in 1910 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of two years and the Commissioners for two year staggered terms. Other major County elective officers include the County Clerk. The County Auditor is appointed for a term of two years by and serves at the will of the District Judges whose courts are located in the County. The 2010 Census population for the County was 14,786, while the estimated 2018 population is 17,000. The County covers approximately 1,504 square miles. The City of Andrews is the County Seat.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated August 15, 2018 (the "Dated Date"). The Certificates mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of delivery and will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2019, until maturity or prior redemption. The definitive Certificates will be issued only in fully-registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State, including Texas Government Code, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Order.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the County is subject to a continuing direct annual ad valorem tax levied by the County, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION... In addition to the optional redemption provision described above, the Certificates maturing on February 15 in the years 2032, 2034, 2036 and 2038 (the "Term Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided) on the following dates at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Term Certificates Maturing February 15, 2032		Term Certificates Maturing February 15, 2034	
Redemption Date	Amount	Redemption Date	Amount
2/15/2031	$ 965,000	2/15/2033	$ 1,030,000
2/15/2032[1]	995,000	2/15/2034[1]	1,060,000

Term Certificates Maturing February 15, 2036		Term Certificates Maturing February 15, 2038	
Redemption Date	Amount	Redemption Date	Amount
2/15/2035	$ 1,095,000	2/15/2037	$ 1,175,000
2/15/2036[1]	1,135,000	2/15/2038[1]	1,215,000

(1) Stated maturity.

Approximately forty-five (45) days immediately preceding each of the mandatory redemption dates specified above that the Term Certificates are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Certificates for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the County, by the principal amount of Term Certificates of like Stated Maturity which, at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the County and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 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 SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the County shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

DEFEASANCE . . . The Order provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on such 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 the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the County, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (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, on the date of their acquisition or purchase by the County, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under applicable laws of the State of Texas. The County has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government 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 may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

AMENDMENTS. . . The County may amend the Order without the consent of or notice to any registered owners of the related Certificates in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Order ; except that, without the consent of the registered owners of all of the Certificates no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by the holders of such Certificates for consent to any such amendment, addition, or rescission as provided in the Order.

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

The County and the Initial Purchaser cannot and do 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). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the County with respect to the Certificates, printed Certificates will be issued to the holders and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates 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 or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

PAYMENT PROVISIONS . . . Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under “THE CERTIFICATES - Book-Entry-Only System” herein. 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 when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for the interest payable on the Certificates on any interest payment date means the last business day of the month next preceding each interest payment date.

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 (“Special Payment Date”, which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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 Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the County and the Paying Agent/Registrar harmless. 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.

CERTIFICATEHOLDERS’ REMEDIES . . . If the County defaults in the payment of principal or interest on the Certificates or the redemption price of a Certificate when due, or if it fails to make payments into any fund or funds created in the Order or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Order , the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Order and the County’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and 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 holders 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. On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the County for breach of the Certificates or covenants in the Order. 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 holders of the Certificates 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

SOURCES AND USES OF PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds		
Par Amount of the Certificates	$	17,540,000.00
Reoffering Premium		821,854.35
Total Sources of Funds	$	18,361,854.35
Uses of Funds		
Deposit to the Project/Construction Fund	$	18,000,000.00
Deposit to the Debt Service Fund		4,838.71
Costs of issuance and Underwriter's Discount		357,015.64
Total Uses of Funds	$	18,361,854.35

TAX INFORMATION

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

Under Article VIII of the Texas Constitution ("Article VIII") and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

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

Under Section 1-b of Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

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

State law and Section 2 of Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000. In addition, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property, provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit". Section 11.253 of the Texas Tax Code defines "goods in transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in- transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

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

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

The County is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the County. In accordance with a program established pursuant to Chapter 380, the County may make loans or grants of public funds for economic development purposes; provided, however, that no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County. The County may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE. . . The Commissioners Court is required to adopt the annual tax rate for the County before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the County. If the Commissioners Court does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its "effective tax rate" and "rollback tax rate". Under current law, a tax rate cannot be adopted by the Commissioners Court that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the County's website if the County owns, operates or controls an internet website and public notice be given by television if the County has free access to a television channel) and the Commissioners Court has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the 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.

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

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

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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

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

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

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

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $12,000; the disabled are not granted this exemption.

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

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

The County has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The County does not tax nonbusiness personal property; and the Andrews County Tax Assessor/Collector collects taxes for the County.

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

The County does not tax freeport property.

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

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

TAX ABATEMENT POLICY . . . The County has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The value of property subject to abatement is shown in Table 1.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

FY 2018 Market Valuation Established by the Andrews County Appraisal District			
(excludes totally exempt property)		$4,724,857,970	
Less Exemptions/Reductions at 100% Market Value:			
Residence Homestead	$ 113,368,337		
Over 65 Local Optional Exemptions	12,523,754		
Veterans Exemptions	2,397,953		
Pollution Control Loss	4,647,349		
Productivity Loss	206,467,664		
Value lost to 10% Cap	25,135,548		
Abatements	29,898,792	394,439,397	
2017/18 Taxable Assessed Valuation		$ 4,330,418,573	(1)
County Funded Debt Payable from Ad Valorem Taxes			
The Certificates	$ 17,540,000		
Funded Debt Payable from Ad Valorem Taxes		$ 17,540,000	
Ratio General Obligation Debt to Taxable Assessed Valuation		0.41%	

2018 Estimated Population - 17,000

Per Capita Taxable Assessed Valuation - $254,731

Per Capita Funded Debt Payable from Ad Valorem Taxes - $1,032

(1) A substantial portion of the County's taxable assessed valuation is comprised of minerals, consisting of oil and natural gas mineral interests; and, fluctuations in the County's taxable assessed valuation in recent years has been largely attributable to changes in mineral values and related changes in (i) drilling activity, (ii) the amount of oil and natural gas produced from new and existing wells and (iii) levels of economic activity associated with such drilling and mineral production. See "Table 2 - Taxable Assessed Valuations by Category" and "Table 6 - Ten Largest Taxpayers." The County cannot predict the value of mineral reserves in the County for any future year.

(Remainder of page intentionally left blank.)

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended Sept. 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 730,650,729	15.46%	$ 714,052,882	17.92%	$ 679,222,001	12.61%
Real, Residential, Multi Family	22,498,369	0.48%	18,443,508	0.46%	18,592,954	0.35%
Real, Vacant Lots/Tracts	14,529,229	0.31%	15,032,007	0.38%	15,774,373	0.29%
Real, Acreage (Land Only)	225,402,238	4.77%	225,621,707	5.66%	225,462,506	4.19%
Farm and Ranch Improvements	29,453,419	0.62%	29,463,290	0.74%	28,034,127	0.52%
Real, Commercial and Industrial	243,005,910	5.14%	246,537,800	6.19%	280,692,687	5.21%
Real, Oil, Gas/Other Mineral Resrvs	2,785,051,975	58.94%	2,103,375,188	52.79%	3,413,379,329	63.38%
Real and Tangible Personal, Utilities	248,876,774	5.27%	207,816,151	5.22%	209,959,528	3.90%
Personal Commercial and Industrial	407,110,343	8.62%	405,762,550	10.18%	497,605,677	9.24%
Mobile Homes	18,278,984	0.39%	18,060,748	0.45%	16,462,104	0.31%
Residential Inventory	-	0.00%	40,854	0.00%	106,086	0.00%
Total TAV Before Exemptions	$4,724,857,970	100.00%	$3,984,206,685	100.00%	$5,385,291,372	100.00%
Less: Total Exemptions/Reductions	(394,439,397)		(398,600,327)		(403,743,781)	
Taxable Assessed Value	$4,330,418,573		$3,585,606,358		$4,981,547,591	

	Taxable Appraised Value for Fiscal Year Ended Sept. 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 604,896,246	7.92%	$ 517,950,535	8.06%
Real, Residential, Multi Family	14,897,080	0.19%	14,589,650	0.23%
Real, Vacant Lots/Tracts	11,528,463	0.15%	10,669,278	0.17%
Real, Acreage (Land Only)	225,922,396	2.96%	226,480,422	3.53%
Farm and Ranch Improvements	28,657,896	0.38%	26,333,695	0.41%
Real, Commercial and Industrial	270,062,046	3.53%	180,153,086	2.81%
Real, Oil, Gas/Other Mineral Resrvs	5,792,456,328	75.82%	4,871,571,905	75.86%
Real and Tangible Personal, Utilities	201,836,790	2.64%	165,350,580	2.57%
Personal Commercial and Industrial	472,064,690	6.18%	397,502,840	6.19%
Mobile Homes	13,450,720	0.18%	10,983,320	0.17%
Residential Inventory	4,108,280	0.05%	622,850	0.01%
Total TAV Before Exemptions	$7,639,880,935	100.00%	$6,422,208,161	100.00%
Less: Total Exemptions/Reductions	(409,226,698)		(374,233,687)	
Taxable Assessed Value	$7,230,654,237		$6,047,974,474	

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

(1) A substantial portion of the County's taxable assessed valuation is comprised of minerals, consisting of oil and natural gas mineral interests; and, fluctuations in the County's taxable assessed valuation in recent years has been largely attributable to changes in mineral values and related changes in (i) drilling activity, (ii) the amount of oil and natural gas produced from new and existing wells and (iii) levels of economic activity associated with such drilling and mineral production. See "Table 6 - Ten Largest Taxpayers." A substantial portion of the United States' proven and accessible oil and natural gas reserves are located in the Permian Basin (which includes the County), and the area has benefited by relative increases in oil and natural gas prices to levels that support drilling activity for the production of oil and gas and provide incentives for older, less productive wells to be reworked, which can extend the life of a well and therefore produce local tax values over a longer period of time. Accordingly, drilling activity and well improvements are significant factors affecting the local and regional economy in the area of the County; however, the County cannot predict the value of mineral reserves in the County for any future year.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	GO Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2014	17,000	$ 6,047,974,474	$ 355,763	$ 68,775,000	1.14%	$ 4,046
2015	17,000	7,230,654,237	425,333	66,945,000	0.93%	3,938
2016	17,000	4,981,547,591	293,032	65,050,000	1.31%	3,826
2017	17,000	3,585,606,358	210,918	63,080,000	1.76%	3,711
2018	17,000	4,330,418,573	254,731	17,540,000 [3]	0.41%	1,032

(1) Source: The County.
(2) As reported by the Appraisal District on the County's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Projected, includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended Sept. 30	Tax Rate	Tax Levy	% Current Collections	% Total Collections
2014	$ 0.3678	$ 22,244,450	98.80%	100.30%
2015	0.3413	24,678,223	98.02%	99.32%
2016	0.5105	25,430,800	99.13%	100.94%
2017	0.5655	20,276,604	96.68%	98.60%
2018	0.5157	22,331,969	95.52% [1]	96.63% [1]

(1) Collections as of June 30, 2018.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
General Fund	$ 0.4384	$ 0.4805	$ 0.4355	$ 0.2936	$ 0.3160
Interest and Sinking Fund	-	-	-	-	-
Total Constitutional Tax Rate	$ 0.4384	$ 0.4805	$ 0.4355	$ 0.2936	$ 0.3160
Special Road and Bridge (Road Maintenance)	$ 0.0258	$ 0.0300	$ 0.0250	$ 0.0158	$ 0.0348
Farm to Market and Flood Control	0.0515	0.0550	0.0500	0.0319	0.0170
Total Tax Rate	$ 0.5157	$ 0.5655	$ 0.5105	$ 0.3413	$ 0.3678

(Remainder of page intentionally left blank.)

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2018 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
University of Texas (PUF)	Perm. University Fund	$ 299,840,902	6.9%
XTO Energy Inc.	Oil and Gas	294,522,291	6.8%
Apache Corporation	Oil and Gas	150,419,519	3.5%
Pioneer Natural Res USA Inc.	Oil and Gas	138,388,575	3.2%
Fasken Oil and Ranch Ltd.	Oil and Gas	113,200,647	2.6%
ConocoPhillips Company	Oil and Gas	98,431,730	2.3%
COG Operating LLC	Oil and Gas	93,266,797	2.2%
Chevron Midcontinent LP	Oil and Gas	87,162,765	2.0%
Texland Petroleum LP	Oil and Gas	80,113,142	1.9%
Oncor Electric Delivery Co LLC	Utility	76,097,188	1.8%
		$ 1,431,443,556	33.1%

Note: A substantial portion of the County's taxable assessed valuation is comprised of minerals, consisting of oil and natural gas mineral interests; and, fluctuations in the County's taxable assessed valuation in recent years has been largely attributable to changes in mineral values and related changes in (i) drilling activity, (ii) the amount of oil and natural gas produced from new and existing wells and (iii) levels of economic activity associated with such drilling and mineral production. See "Table 2 - Taxable Assessed Valuations by Category." A substantial portion of the United States' proven and accessible oil and natural gas reserves are located in the Permian Basin (which includes the County), and the area has benefited by relative increases in oil and natural gas prices to levels that support drilling activity for the production of oil and gas and provide incentives for older, less productive wells to be reworked, which can extend the life of a well and therefore produce local tax values over a longer period of time. Accordingly, drilling activity and well improvements are significant factors affecting the local and regional economy in the area of the County; however, the County cannot predict the value of mineral reserves in the County for any future year.

GENERAL OBLIGATION DEBT AND TAX RATE LIMITATIONS

*Limited Tax Debt Payable from the $0.80 Constitutional Tax Rate…*Section 1301.003 of the Texas Government Code limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	-	2% of Assessed Valuation
Jail Bonds	-	1 1/2% of Assessed Valuation
Courthouse and Jail Bonds	-	3 1/2% of Assessed Valuation
Road and Bridge Bonds	-	1 1/2% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Section 1473.101 of the Texas Government Code which removes the above limitations.

Article VIII, Section 9, of the Texas Constitution, imposes a limit of $0.80 per $100 assessed valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, notes, warrants and anticipation notes issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of $0.40 of the $0.80 constitutional tax rate for debt service.

Unlimited Tax Road Bonds...Article III, Section 52, Texas Constitution, authorizes the County to levy a separate tax, without legal limit as to rate, to pay debt service on County road bonds issued pursuant to such authority. Article III, Section 52 of the Texas Constitution also provides that unlimited tax road bond debt may not exceed 25% of the County's assessed valuation of real estate.

Special Road and Bridge Tax...Imposed by Texas Constitution (Article VIII, Section 9), $0.15 per $100 Assessed Valuation, no part of which may be used for debt service. The County has voted a special Road and Bridge Fund Tax.

Farm-to-Market and Flood Control Purposes ...Imposed by Texas Constitution (Article VIII, Section 1-a), $0.30 per $100 assessed valuation after exemption of homesteads up to $3,000; no allocation prescribed by statute between debt service and maintenance. The County has voted a special tax for Farm-to-Market purposes. The County has voted a special tax for Flood Control purposes.

For additional information relating to which of the constitutionally-authorized taxes that the County currently levies, see "TAX INFORMATION – Table 5 – Tax Rate Distribution analysis."

TABLE 7 - TAX ADEQUACY

2019 Principal and Interest Requirements	$	1,238,055
$0.0292 Tax Rate at 98% Collection Produces	$	1,239,193
Average Annual Principal and Interest Requirements, 2019 - 2038	$	1,237,652
$0.0292 Tax Rate at 98% Collection Produces	$	1,239,193
Maximum Annual Principal and Interest Requirements, 2023	$	1,240,263
$0.0293 Tax Rate at 98% Collection Produces	$	1,243,436

TABLE 8 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2017/18 Taxable Assessed Value	2017/18 Tax Rate	Total Funded Debt as of 7/15/2018	Estimated % Applicable	County's Overlapping Funded Debt	Authorized But Unissued Debt
Andrews County	$ 4,330,418,573	$ 0.5157	$ 17,540,000 [1]	100.00%	$ 17,540,000	$ -
Andrews County Hospital District	$4,028,880,561	0.4991	38,970,000	100.00%	38,970,000	-
Andrews ISD	3,899,752,427	1.2000	17,607,800	100.00%	17,607,800	55,000,000
City of Andrews	748,675,396	0.1890	12,405,000	100.00%	12,405,000	-
Total Direct and Overlapping Funded Debt					$ 86,522,800	

Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation		2.00%
Per Capita Direct and Overlapping Funded Debt	$	5,090

(Remainder of page intentionally left blank.)

DEBT INFORMATION

TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	The Certificates (1) Principal	Interest	Total	% of Principal Retired
2018	$ -	$ -	$ -	
2019	620,000	618,055	1,238,055	
2020	595,000	641,113	1,236,113	6.93%
2021	620,000	616,938	1,236,938	
2022	645,000	591,513	1,236,513	
2023	675,000	565,263	1,240,263	
2024	700,000	537,638	1,237,638	21.98%
2025	735,000	501,763	1,236,763	
2026	775,000	464,013	1,239,013	
2027	815,000	424,263	1,239,263	
2028	855,000	382,513	1,237,513	
2029	900,000	338,638	1,238,638	45.24%
2030	935,000	302,113	1,237,113	
2031	965,000	273,009	1,238,009	
2032	995,000	242,384	1,237,384	
2033	1,030,000	210,100	1,240,100	
2034	1,060,000	176,138	1,236,138	73.66%
2035	1,095,000	140,434	1,235,434	
2036	1,135,000	102,803	1,237,803	
2037	1,175,000	63,088	1,238,088	
2038	1,215,000	21,263	1,236,263	100.00%
	$ 17,540,000	$ 7,213,036	$ 24,753,036	

(1) Average life of the Certificates – 11.208 years. True interest cost is 3.296%.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The County has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The County does not anticipate the issuance of additional general obligation debt in the next 12 months.

TABLE 11 - OTHER OBLIGATIONS

The County has a lease with Yellowhouse Machinery for a 2017 John Deere 544K-II 4WD Loader for Precinct 3 operations which consists of five (5) annual payments of $15,650.64 for a total of $78,253.20, and includes $23,700 for Preventive Maintenance coverage. The first payment to be made in fiscal year ending September 30, 2018. The County has the option of purchasing machinery at the end of the lease for $80,000. The County is uncertain whether the buyout provision will be elected.

The County has a capital lease with TCF Equipment Finance for a Toro MultiPro 1750, Tru Surface Vibe V Rollers and Service for use at the County Golf Course in the amount of $43,906.75. Payment terms consist of four (4) annual payments of $11,836.74. The last payment is scheduled to be made May 10, 2019 at which time the County will purchase the equipment for $1. The calculated interest rate is 4.702%.

The County has an operating lease with TCF Equipment Finance for two Toro Greensmaster 3300s, one Toro Groundsmaster 360 4WD and one Toro Groundsmaster 4500-D for use at the County Golf Course. Payment terms consist of four (4) annual payments of $25,594.46. The last payment is scheduled to be made May 10, 2019.

PENSION FUND

Plan Description. All full time and part time employees of the County are provided with pensions through the TCDRS - a cost-sharing multiple employer defined benefit pension plan administered by the Texas County and District Retirement System (the "TCDRS"), one of over 500 administered by TCDRS, an agent multiple-employer public employee retirement system.

The plan provisions are adopted by the Commissioners Court of the County, within the options available in the State statutes governing TCDRS (the "TCDRS Act"). Members can retire at ages 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 8 years but must leave their accumulated contributions in the plan to receive any County-financed benefit.

For more information concerning the County's pension plan, funding policies related thereto and related liabilities, as well as the County's historical unfunded actuarial accrued liability, see Appendix B, "Excerpts from the County's Comprehensive Annual Financial Report" - Note 9.

OTHER POST-EMPLOYMENT BENEFITS

Plan Description…The County administers self-insured, single-employer defined benefit plan which provides medical and dental insurance benefits that are considered Other Postemployment Benefits (OPEB) under Statements No. 43 and 45 of the GASB These benefits are offered to employees of the County who retire after satisfying the following eligibility requirements:

- The employee has completed 20 years of services with the County, and
- The employee's age plus years of service is greater than or equal to 75

The County assigns the authority to establish and amend benefit provisions to the Commissioners Court. Membership in the plan at October 1, 2014, the date of the latest full actuarial valuation, consists of the following:

- Retirees and beneficiaries receiving benefits 14
- Active employees 154

For more information concerning the County's employee and retiree healthcare, funding policies related thereto and related liabilities, as well as the County's historical unfunded actuarial accrued liability, see Appendix B, "Excerpts from the County's Comprehensive Annual Financial Report" - Note 11.

SELF-INSURANCE…The County also maintains a self-administered group medical plan to provide health care benefits to employees and their families. The plan is funded to discharge liabilities of the fund as they become due. For more detail on the County's health insurance plan, see "Appendix B - Excerpts from the City's Annual Financial Report" - Note 12.

(Remainder of page intentionally left blank.)

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

	Fiscal Year Ending September 30,				
Revenues	2017	2016	2015	2014	2013
Fees, Fines and Charges for Services	3,439,651	3,119,460	3,159,331	3,152,905	3,990,606
Operating Grants and Contributions	1,118,374	5,239,532	4,821,007	792,220	638,937
Taxes	20,864,938	26,016,336	25,137,012	23,236,807	20,903,645
Interest	321,290	131,200	29,183	35,746	48,831
Miscellaneous	1,666,856	1,402,383	3,411,576	1,600,549	375,570
Total Revenues	$ 27,411,109	$ 35,908,911	$ 36,558,109	$ 28,818,227	$ 25,957,589
Expenditures					
Executive	$ 317,636	$ 305,113	$ 264,450	$ 254,627	$ 244,393
General Administrative	17,949,893	20,651,971	21,285,059	23,946,281	18,063,999
Health and Welfare	1,271,070	1,340,807	1,237,656	1,182,773	1,091,464
Judicial	845,749	860,415	703,225	706,585	680,365
Legal	371,454	380,920	325,205	329,688	292,000
Public Safety	3,623,011	3,781,484	3,597,480	3,291,411	3,219,781
Total Expenditures	$ 24,378,813	$ 27,320,710	$ 27,413,075	$ 29,711,365	$ 23,592,002
Transfers in (out)	-	64,124	-	4,955	-
Change in Net Position	3,032,296	8,652,325	9,145,034	(888,183)	2,365,587
Prior Period Adjustment	(4,923)	1,451,240	(4,336,582)	-	-
Net Assets, Beginning	49,844,316	39,740,751	34,932,299	35,820,482	33,454,895
Ending Net Assets	$ 52,871,689	$ 49,844,316	$ 39,740,751	$ 34,932,299	$ 35,820,482

(Remainder of page intentionally left blank.)

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ending September 30,				
Revenues	2017	2016	2015	2014	2013
Taxes	$ 17,092,727	$ 20,898,954	$ 20,020,934	$ 19,166,595	$ 17,468,480
Fees and Fines	3,435,692	3,112,786	3,220,087	3,161,183	3,960,198
Interest	223,841	95,597	23,650	32,499	37,162
Other Receipts	1,509,806	1,370,801	3,226,006	1,442,419	407,076
Total Revenues	$ 22,262,066	$ 25,478,138	$ 26,490,677	$ 23,802,696	$ 21,872,916
Expenditures					
Executive	$ 278,681	$ 280,297	$ 279,551	$ 261,904	$ 250,106
General Administration	13,918,439	13,717,874	15,825,029	17,793,895	14,740,565
Health and Welfare	898,005	1,004,184	1,027,659	925,799	854,627
Judicial	761,549	788,127	744,472	726,581	696,002
Legal	330,452	345,019	338,423	333,065	293,545
Public Safety	2,292,274	2,574,330	2,967,206	2,524,964	3,676,998
Total Expenditures	$ 18,479,400	$ 18,709,831	$ 21,182,340	$ 22,566,208	$ 20,511,843
Excess (Deficiency) Revenues Over Expenditures	$ 3,782,666	$ 6,768,307	$ 5,308,337	$ 1,236,488	$ 1,361,073
Other Financing Sources (Uses):	-	(35,876)	644,473	(3,078,265)	(1,158,523)
Net Change in Fund Balance	$ 3,782,666	$ 6,732,431	$ 5,952,810	$ (1,841,777)	$ 202,550
Prior Period Adjustment	-	(78,904)	-	-	-
Fund Balance Beginning of Year	26,261,570	19,608,043	13,655,233	15,497,010	15,294,460
Fund Balance End of Year	$ 30,044,236	$ 26,261,570	$ 19,608,043	$ 13,655,233	$ 15,497,010

TABLE 13 - SPECIAL REVENUE FUNDS (ROAD AND BRIDGE)

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Revenues					
Taxes	$ 3,555,882	$ 4,812,420	$ 4,943,379	$ 3,953,192	$ 3,429,253
Interest	43,604	16,742	3,374	1,926	9,956
Total Revenues:	$ 3,599,486	$ 4,829,162	$ 4,946,753	$ 3,955,118	$ 3,439,209
Expenditures					
General Administration	$ 2,451,098	$ 2,730,607	$ 3,162,940	$ 3,360,484	$ 3,728,030
Total Expenditures	$ 2,451,098	$ 2,730,607	$ 3,162,940	$ 3,360,484	$ 3,728,030
Excess (Deficiency) of Revenues Over Expenditures	$ 1,148,388	$ 2,098,555	$ 1,783,813	$ 594,634	$ (288,821)
Other Financing (Uses)					
Sale of Assets	-	(566,754)	(1,180,855)	(655,468)	-
Net Change in Fund Balance	$ 1,148,388	$ 1,531,801	$ 602,958	$ (60,834)	$ (288,821)
Beginning Fund Balance	$ 4,838,649	$ 3,306,848	$ 2,703,890	$ 2,764,724	$ 3,053,545
Ending Fund Balance	$ 5,987,037	$ 4,838,649	$ 3,306,848	$ 2,703,890	$ 2,764,724

FINANCIAL POLICIES

<u>Basis of Accounting</u> . . . The accounting policies of the County conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of idle funds.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

<u>Budgetary Procedures</u> . . . The budget is prepared by the County staff and approved by the Commissioners Court following departmental budget reviews and a public hearing. A copy of the budget must be filed with the County Clerk and the County Auditor and made available to the public. The Commissioners Court must provide for a public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to October 31 of the current fiscal year.

INVESTMENTS

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

LEGAL INVESTMENTS… Available County funds are invested as authorized by Texas law and in accordance with investment policies approved by the Commissioners Court. Both State law and the County's investment policies are subject to change. Under State law, the County is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for County deposits, or (ii) where (a) the funds are invested by the County through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the County as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the County; (b) the broker or the depository institution selected by the County 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 County; (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 County appoints the depository institution selected under (a) above, an entity 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 County with respect to the certificates of deposit; (10) 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; (11) 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 (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) 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, (12) 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, (13) 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, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in 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 "AAAm" 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, Order , 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, 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 Public Funds Investment Act. 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 a rule, order, Order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, Order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the County 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, 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 County's designated Investment Officer; (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 non-money market 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.

TABLE 14 - CURRENT INVESTMENTS

As of June 30, 2018, the County's investable funds were invested in the following categories:

Investment Description	Market Value	% of Total Value
TexPool	$ 47,655,048	91.61%
TX Class	1,022,689	1.97%
TexSTAR	336,572	0.65%
Certificate of Deposits	1,024,448	1.97%
US Securities	1,981,120	3.81%
	$ 52,019,878	100.00%

No funds of the County are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity. All investments will mature within 24 months, and the market value of the investments is approximately 100% of its purchase price.

TAX MATTERS

TAX EXEMPTION. . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced in Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an

S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the County made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the County with the provisions of the Order subsequent to the issuance of the Certificates. The Order contains covenants by the County with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of "arbitrage" profits from the investment of proceeds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES. . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates may be greater than the amount payable on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificate. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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 pursuant to the United States Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The County will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the County of the general type of included in this Official Statement under Tables numbered 1 through 7 and 9 through 14 (such information being the "Annual Operating Report"). The County will additionally provide financial statements of the County (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the County commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The County will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2018. The County may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the County shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The County's current fiscal year end is September 30. Accordingly, the Annual Operating Report must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of 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 CERTAIN EVENTS . . . The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the 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. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Certificates nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. The County will provide each notice described in this paragraph to the MSRB.

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

LIMITATIONS AND AMENDMENTS . . . The County has agreed to update information and to provide notices of certain specified 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.

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

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

OTHER INFORMATION

RATINGS

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

LITIGATION

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

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 other jurisdiction. 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The County will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form 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 therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgments of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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 out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the County accepted the bid of SAMCO Capital Markets, Inc.. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a net cash premium of $629,838.71. The initial reoffering yields on the Certificates shown on page 2 of this Official Statement were provided to the County by the Initial Purchaser of the Certificates and will produce compensation to the Initial Purchaser of approximately $192,015.64. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the County to the Initial Purchaser of the Certificates. The County has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in 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. The County's actual results could differ materially from those discussed in such forward-looking statements.

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the County will furnish a certificate, executed by authorized County representatives, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the County contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of this 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, this 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.

The Order authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchasers.

/s/ Richard H. Dolgener
County Judge
Andrews County, Texas

ATTEST:

/s/ Vicki Scott
County Clerk

(This Page Intentionally Blank)

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

(This Page Intentionally Blank)

THE COUNTY

Andrews County is located in the far west Texas Permian Basin and bound on the west by the state of New Mexico and surrounded by the counties of Gaines, Martin, Winkler and Ector. The County is located approximately 50 miles north west of the Midland/Odessa area and 110 miles southwest of Lubbock, and is traversed by U.S. Highway 385 and State Highway 115. The 2010 U.S. Census for the County was 14,786 and the projected 2018 population is approximately 17,000. The City of Andrews serves as the County seat.

The economy is based primarily on oil and gas production and agriculture. The Permian Basin is one of the United States greatest mineral reservoirs with exploration and drilling for additional reserves continuing. Principal sources of agricultural income include sorghums, peanuts, hay, grains, cotton, corn, cattle and beef. [(1)]

With its close proximity to the Midland/Odessa Metropolitan area, the County's residents enjoy access to other industrial and business operations which include semi-conductor products, telecommunications, dairy products, plastics and household goods. The Midland/Odessa area is a major financial, transportation and communication center.

____
(1) Source: Municipal Advisory Council of Texas

MAJOR EMPLOYERS

Major employers in the County include:

Company	Type of Business	Estimated Number of Employees
Andrews Independent School District	Education	471
Permian Region Medical Center	Health Care/Hospital	398
Kirby West Company	Manufacturer	198
Andrews County	Government	173
Key Energy Services	Oil Well Services	146
Waste Control Specialists	Waste Disposal	144
Palmer of Texas	Manufacturer	128
Basic Energy Services	Oil Well Services	113
Nabors Industries Ltd.	Oil & Gas	102
Dennis Porter Inc.	Retail Grocers	90

____
Source: the County

MINERAL PRODUCTION

Andrews County is a significant oil and gas producer:

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2014	37,672,404	59,390,799	643,132	5,690
2015	38,029,587	61,666,947	959,118	42,617
2016	37,238,145	64,623,758	2,093,483	136,542
2017	37,402,763	62,406,903	3,059,723	211,318
2018 [(1)]	13,501,331	21,133,220	1,048,216	59,652

____
Source: Railroad Commission of Texas.
MCF = thousand cubic feet.
(1) Totals through April 2018.

LABOR FORCE ESTIMATES

	Annual Averages				
	2018[1]	2017	2016	2015	2014
Andrews County					
Civilian Labor Force	9,218	9,011	8,674	9,293	9,529
Total Employment	8,984	8,735	8,265	8,970	9,244
Unemployment	234	276	409	323	285
Percent Unemployment	2.5%	3.1%	4.7%	3.5%	3.0%
State of Texas					
Civilian Labor Force	13,793,747	13,538,385	13,317,176	13,074,570	13,024,701
Total Employment	13,245,099	12,960,595	12,702,122	12,493,197	12,360,368
Unemployment	548,648	577,790	615,054	581,373	664,333
Percent Unemployment	4.0%	4.3%	4.6%	4.4%	5.1%

Source: Texas Workforce Commission
(1) Averages through May 2018.

APPENDIX B

EXCERPTS FROM THE

ANDREWS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

The information contained in this Appendix consists of excerpts from the Andrews 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.

(This Page Intentionally Blank)

WAYNE M. MANNING
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

The Honorable County Judge and Members of Commissioners'
Court of Andrews County, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Andrews County, Texas (the "County") as of and for the year ended 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.

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

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

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

Texas Society of Certified Public Accountants

MEMBER OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1074 Andrews, Texas 79714
(432) 523-7261 • www.wmmcpa.com • (432) 224-1068 fax

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, GASB-required supplementary pension information, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable County Judge and Members of Commissioners' Court
of Andrews County, Texas
July 11, 2018
Page 3

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 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, 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.

Wayne M. Manning, CPA

Wayne M. Manning, CPA

Andrews, Texas
July 11, 2018

ANDREWS COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

As management of Andrews County, Texas, we offer readers of the County's comprehensive annual financial report this narrative overview and analysis of the financial activities of the County for the year ended September 30, 2017. Please read it in conjunction with the independent auditors' report and the County's basic financial statements, which follow this section.

Financial Highlights

• The assets of the County exceeded its liabilities at the close of the most recent fiscal year for governmental activities by $52,871,689 (net position). Of this amount, $37,952,221 (unrestricted net position), may be used to meet the government's ongoing funding needs.

• The County's total net position increased for governmental activities by $3,032,296. Total net position also decreased by $4,923 as a result of grant refunds to be sent back to the state.

• As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $39,600,645.

• At the end of the current fiscal year, unassigned fund balance for the general fund was $21,166,210 or 114.54% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required 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 the County's finances, in a manner similar to a private-sector business. These statements include all assets of the County, including infrastructure, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The s*tatement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the net position changed during the fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods, e.g., earned but unused compensated absences.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues, governmental activities, from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include executive, general administration, health and welfare, judicial, legal and public safety.

The government-wide financial statements can be found on pages 11-12 of this report.

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. The 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 can be divided into three categories: governmental funds, proprietary funds, and 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. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable 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 government'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 reconciliations to facilitate the comparison between governmental funds and governmental activities.

The County maintains fifty (50) 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, Road & Bridge (special revenue fund), and the Capital Improvement Fund (capital projects fund); each of which are considered to be major funds. Data from the other seventeen (17) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 13 through 16 of this report.

• **Proprietary Funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund, a component of proprietary funds, is used to report activities that provide supplies and services for other programs and activities such as the County's Self-Funded Health Benefit Fund. Because these services predominantly benefit governmental rather than business-type functions, the Internal Service Fund is reported with governmental activities in the government-wide financial statements.

• **Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 51 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information, as well as combining and individual statements and schedules can be found on pages 52 through 59 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the County, assets exceeded liabilities by $52,873,758 as of September 30, 2017.

The largest portion of the County's net position, $14,919,468 reflects its investments in capital assets (e.g., land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress). The County uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the 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. As of September 30, 2017, the County had no debt related to capital assets.

STATEMENT OF NET POSITION

	Governmental Activities September 30, 2017	September 30, 2016	Amount Changed	Percent Changed
ASSETS				
Current and other assets	$ 46,115,048	$ 40,452,257	$ 5,662,791	14.00%
Capital assets, net	14,919,468	15,620,819	(701,351)	(4.49)%
Total assets	61,034,516	56,073,076	4,961,440	8.85%
Deferred outflows of resources	5,038,201	6,447,004	(1,408,803)	(21.85)%
LIABILITIES				
Current liabilities	12,686,702	11,647,113	1,039,589	8.93%
Total liabilities	12,686,702	11,647,113	1,039,589	8.93%
Deferred inflows of resources	514,326	1,028,651	(514,325)	(50.00)%
NET POSITION				
Net invested in capital assets	14,919,468	15,620,819	(701,351)	(4.49)%
Unrestricted	37,952,221	34,223,497	3,728,724	10.90%
Total net position	$ 52,871,689	$ 49,844,316	$ 3,027,373	6.07%

	Business-Type Activities September 30, 2017	September 30, 2016	Amount Changed	Percent Changed
ASSETS				
Current and other assets	$ 7,253,094	$ 7,219,862	$ 33,232	0.46%
Lease receivable	62,827,195	64,796,666	(1,969,471)	(3.04)%
Due from other funds	100	633	(533)	(84.20)%
Total assets	70,080,389	72,017,161	(1,936,772)	(2.69)%
Deferred outflows of resources	-	-	-	-
LIABILITIES				
Current liabilities	314,595	281,367	33,228	11.81%
Prepaid lease payments	6,683,725	6,683,725	-	-
Bonds payable	63,080,000	65,050,000	(1,970,000)	(3.03)%
Total liabilities	70,078,320	72,015,092	(1,936,772)	(2.69)%
Deferred inflows of resources	-	-	-	-
NET POSITION				
Unrestricted	2,069	2,069	-	-
Total net position	$ 2,069	$ 2,069	$ -	-

Deferred outflows and inflows of resources relate to the County's defined pension plan and are the result of the implementation of GASB 68. See Note 9. The balance of unrestricted net position of $37,952,221 in the Governmental Activities may be used to meet the government's ongoing obligations to citizens and creditors. In 2011, the County issued a Permanent Improvement Bond to facilitate the completion of the WCS project, which in turn agreed to a sale/leaseback transaction in order to return all expenditures incurred with the transaction. As of September 30, 2017, the County is able to report positive balances in both categories of net position for the government as a whole.

Analysis of the County's Operations. Governmental activities reported an increase in net position in the amount of $3,032,296 before grant refunds of $4,923.

The following table indicates changes in net position for governmental activities and business-type activities:

CHANGES IN NET POSITION

	Governmental Activities			
	September 30, 2017	September 30, 2016	Amount Changed	Percent Changed
REVENUES				
Fees, fines and charges for services	$ 3,439,651	$ 3,119,460	$ 320,191	10.26%
Operating grants and contributions	1,118,374	5,239,532	(4,121,158)	(78.66)%
Taxes	20,864,938	26,016,336	(5,151,398)	(19.80)%
Interest	321,290	131,200	190,090	144.89%
Miscellaneous	1,666,856	1,402,383	264,473	18.86%
Total revenues	27,411,109	35,908,911	(8,497,802)	(23.66)%
EXPENSES				
Executive	317,636	305,113	12,523	4.10%
General administration	17,949,893	20,651,971	(2,702,078)	(13.08)%
Health and welfare	1,271,070	1,340,807	(69,737)	(5.20)%
Judicial	845,749	860,415	(14,666)	(1.70)%
Legal	371,454	380,920	(9,466)	(2.49)%
Public safety	3,623,011	3,781,484	(158,473)	(4.19)%
Total expenses	24,378,813	27,320,710	(2,941,897)	(10.77)%
Transfers in (out)	-	64,124	(64,124)	(100.00)%
Change in net position	3,032,296	8,652,325	(5,620,029)	(64.95)%
Prior period adjustment/refund	(4,923)	1,451,240	(1,456,163)	(100.34)%
Net position – beginning	49,844,316	39,740,751	10,103,565	25.42%
Net position – ending	$ 52,871,689	$ 49,844,316	$ 3,027,373	6.07%

	Business-Type Activities			
	September 30, 2017	September 30, 2016	Amount Changed	Percent Changed
REVENUES				
Miscellaneous	$ 4,175,357	$ 4,244,208	$ (68,851)	(1.62)%
Total revenues	4,175,357	4,244,208	(68,851)	(1.62)%
EXPENSES				
Interest on long-term debt	4,175,357	4,244,208	(68,851)	(1.62)%
Total expenses	4,175,357	4,244,208	(68,851)	(1.62)%
Transfers in (out)	-	-	-	-
Change in net position	-	-	-	-
Net position – beginning	2,069	2,069	-	-
Net position – ending	$ 2,069	$ 2,069	$ -	-

Financial Analysis of the County's Funds. As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget control has been the framework of the County's fiscal management and accountability.

Governmental funds. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $39,600,645. From the ending fund balances, $2,742,310 is restricted (non-major funds), $8,878,026 is committed (designated funds), $5,987,037 is assigned to pay for items such as public transportation, and $827,062 is assigned to pay for capital improvements. The unassigned fund balance of $21,166,210 represents 53.45% of the total fund balance and is used as a management and budgetary tool for spending at the County's discretion. See Note 1 for further description of these fund balance classifications.

General Fund Budgetary Highlights. Over the course of the year, the County recommended and the Commissioners approved several revisions to budgeted revenue and appropriations. The County's overall budgeted expenditures were increased by two budget amendments:

- One budget amendment was requested by the Sheriff's Office to digitize all records required to be retained under state-mandated records retention rules. This budget amendment totaled $432,365.58. The services were contracted and begun before the end of the fiscal year. However they were not completed and billed as of the fiscal year; therefore, no expenditures were incurred under this budget amendment during the fiscal year ended September 30, 2017.
- The other budget amendment was a special budget amendment from unanticipated revenue and that budget amendment increased County budgeted expenditures by $75,318 and increased County budgeted revenues by $75,318.

Capital Assets. The capital assets of the County are those assets, land, buildings, improvements other than buildings, machinery and equipment, which are used in the performance of the County's functions including infrastructure assets. At September 30, 2017, net capital assets of the governmental activities totaled $14,919,468. Depreciation on capital assets is recognized in the government-wide financial statements.

ANDREWS COUNTY'S CAPITAL ASSETS

Governmental Activities

	September 30, 2017	September 30, 2016	Amount Changed	Percent Changed
Land	$ 543,634	$ 543,634	$ -	-
Buildings & improvements	21,262,222	20,477,196	785,026	3.83%
Equipment	14,039,706	14,306,940	(267,234)	(1.87)%
Infrastructure	13,104,554	13,104,554	-	-
Construction in progress	30,194	-	30,194	100.00%
Accumulated depreciation	(34,060,842)	(32,811,505)	(1,249,337)	(3.81)%
Total	$ 14,919,468	$ 15,620,819	$ (701,351)	(4.49)%

Additional information on the County's capital assets can be found in notes 1 and 5 of this report.

Debt Administration

At September 30, 2017, the County had long-term debt outstanding of $63,080,000 as compared to $65,050,000 in the prior year. The decrease of $1,970,000 relates to the debt principal paid during the year. As of January 2018, WCS was acquired by a third party and the associated lease receivable and bonds payable were defeased.

Refer to Note 8 in the Notes to the Basic Financial Statements for a detailed breakdown of long-term debt owed by the County. Refer to Note 19 regarding the WCS subsequent event.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the County's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the Commissioners' Court sets the direction of the County, allocates its resources and establishes its priorities. The 2017/2018 total combined tax rate for Andrews County is 0.5157 compared to 0.5655 for the 2016/2017 fiscal year. The 2017/2018 tax rate was decreased to a rate just below the rollback rate of 0.5160.

Andrews County's adjusted tax base for property taxes is $4,310,916,828 for fiscal year 2018, which is an increase of $664,484,617 or 18.22% more than fiscal year 2017. Andrews County road and bridge's adjusted tax base for property taxes is $4,302,846,491 for fiscal year 2018, which is an increase of $644,770,688 or 18.27% less than fiscal year 2017.

Economically and statistically, Andrews County has stabilized due to the following significant factors:

- Andrews County has seen a slight uptick its economy due to slightly increased commodity prices – the closing price for WT Intermediate Crude at September 30, 2017 was $51.67 per barrel, a $3.43 per barrel or 7.11% increase over the closing price at September 30, 2016, which was $48.24. Economic forecasts call for an optimistic outlook for the Permian Basin economy for the next few years due to enhanced oil production techniques such as fracturing.
- Property valuations leveled off during the current year under audit. Slight increases in assessed valuation are expected in the next few years.

The primary economic factor for Andrews County continues to be related to the energy (oil and gas) industry.

Request for Information

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Andrews County Auditor at 201 N. Main, Room #109, Andrews, Texas 79714, 432-524-1410, or visit the County's website at www.co.andrews.tx.us.

BASIC FINANCIAL STATEMENTS

(This Page Intentionally Blank)

ANDREWS COUNTY, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash & cash equivalents	$ 2,389,772	$ -	$ 2,389,772
Investments	41,310,777	7,253,094	48,563,871
Receivables (net of allowance for uncollectibles)	1,674,627	-	1,674,627
Due from other governments	94,299	-	94,299
Due from other funds	-	100	100
Other current asset	22,096	-	22,096
Lease receivable:			
Due within one year	-	1,840,569	1,840,569
Due in more than one year	-	60,986,626	60,986,626
Noncurrent asset:			
Net OPEB obligation	623,477	-	623,477
Capital assets:			
Land	543,634	-	543,634
Buildings	21,262,222	-	21,262,222
Infrastructure	13,104,554	-	13,104,554
Equipment	14,039,706	-	14,039,706
Construction in process	30,194	-	30,194
Accumulated depreciation	(34,060,842)	-	(34,060,842)
Total Assets	61,034,516	70,080,389	131,114,905
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to TCDRS	5,038,201	-	5,038,201
LIABILITIES			
Accounts payable	1,633,402	57,210	1,690,612
Due to others	106,085	-	106,085
Due to other governments	4,923	-	4,923
Accrued interest payable	-	257,385	257,385
Prepaid lease/note payments	-	6,683,725	6,683,725
Long-term liabilities:			
Due within one year	-	2,050,000	2,050,000
Due in more than one year	-	61,030,000	61,030,000
Net pension liability (County's share)	10,942,292	-	10,942,292
Total Liabilities	12,686,702	70,078,320	82,765,022
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TCDRS	514,326	-	514,326
NET POSITION			
Net investment in capital assets	14,919,468	-	14,919,468
Unrestricted	37,952,221	2,069	37,954,290
Total Net Position	$ 52,871,689	$ 2,069	$ 52,873,758

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
Executive	$ 317,636	$ 42,996	$ -
General administration	17,949,893	2,619,982	506,271
Health and welfare	1,271,070	178,518	265,905
Judicial	845,749	116,948	-
Legal	371,454	50,907	-
Public safety	3,623,011	430,300	346,198
Total Governmental Activities	24,378,813	3,439,651	1,118,374
Total Business-type Activities	4,175,357	-	-
Total Primary Government	$ 28,554,170	$ 3,439,651	$ 1,118,374

General Revenues:
Property Taxes
Investment Earnings
Miscellaneous Local & Intermediate Revenue
Transfers In (Out)
Total General Revenues & Transfers

Change in Net Position

Net Position, beginning of year, as previously reported
Prior Period Adjustment/refund
Net Position, beginning of year, as restated

Net Position, end of year

See the accompanying notes to the financial statements, which are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (274,640)	$ -	$ (274,640)
(14,823,640)	-	(14,823,640)
(826,647)	-	(826,647)
(728,801)	-	(728,801)
(320,547)	-	(320,547)
(2,846,513)	-	(2,846,513)
(19,820,788)	-	(19,820,788)
-	(4,175,357)	(4,175,357)
(19,820,788)	(4,175,357)	(23,996,145)
20,864,938	-	20,864,938
321,290	-	321,290
1,666,856	4,175,357	5,842,213
-	-	-
22,853,084	4,175,357	27,028,441
3,032,296	-	3,032,296
49,844,316	2,069	49,846,385
(4,923)	-	(4,923)
49,839,393	2,069	49,841,462
$ 52,871,689	$ 2,069	$ 52,873,758

ANDREWS COUNTY, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2017

	Major Funds		
	General Fund	Road & Bridge Fund	Capital Improvement Fund
ASSETS			
Cash & cash equivalents	$ 1,507,984	$ 224,362	$ 1,486
Investments	28,598,719	5,703,132	825,576
Receivables (net of allowance for uncollectibles)			
Ad valorem taxes	677,054	115,865	-
Accrued interest	250	-	-
Other current asset	22,096	-	-
Net OPEB obligation	535,175	88,302	-
Due from other funds	17,611	33,083	-
Due from others	13,106	25	-
Due from state	5,000	-	-
Total Assets	$ 31,376,995	$ 6,164,769	$ 827,062
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 431,239	$ 61,867	$ -
Due to other funds	118,381	-	-
Due to state	-	-	-
Due to others	106,085	-	-
Deferred revenue	677,054	115,865	-
Total Liabilities	1,332,759	177,732	-
Fund balances			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	8,878,026	-	-
Assigned	-	5,987,037	827,062
Unassigned	21,166,210	-	-
Total Fund Balances	30,044,236	5,987,037	827,062
Total Liabilities and Fund Balances	$ 31,376,995	$ 6,164,769	$ 827,062

See the accompanying notes to the financial statements, which are an integral part of this statement.

Non-Major Funds		
Other Funds		Total Governmental Funds
$ 210,631		$ 1,944,463
2,488,595		37,616,022
-		792,919
-		250
-		22,096
-		623,477
1,915		52,609
-		13,131
89,299		94,299
$ 2,790,440		$ 41,159,266
$ 24,107		$ 517,213
19,100		137,481
4,923		4,923
-		106,085
-		792,919
48,130		1,558,621
-		-
2,742,310		2,742,310
-		8,878,026
-		6,814,099
-		21,166,210
2,742,310		39,600,645
$ 2,790,440		$ 41,159,266

ANDREWS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
September 30, 2017

Total Fund Balance – Governmental Funds	$	39,600,645
The County uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		3,365,755
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets in the governmental activities is to increase (decrease) net position. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $48,432,324 and the accumulated depreciation was $32,811,505.		15,620,819
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2017 capital outlays is to increase (decrease) net position. Capital assets used in governmental activities are not reported in governmental funds.		1,182,340
Included in the noncurrent assets/(liabilities) is the recognition of the County's proportionate share of the net pension liability required by GASB 68 in the amount of $(10,942,292), a Deferred Resource Inflow related to TCDRS in the amount of $(514,326), and a Deferred Resource Outflow related to TCDRS in the amount of $5,038,201. This resulted in a decrease in Net Position in the amount of ($6,418,417).		(6,418,417)
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,830,679)
Under GASB 34, the concept of certain receivables and the associated allowance for uncollectible accounts are reported in the statement of net position. Since they are not current financial resources, the receivables are not reported in the fund financial statements.		611,319
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		739,907
Net Position of Governmental Activities	$	52,871,689

See the accompanying notes to the financial statements, which are an integral part of this statement.

INTENTIONALLY LEFT BLANK

ANDREWS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	Major Funds		
	General Fund	Road & Bridge Fund	Capital Improvement Fund
REVENUES			
Taxes	$ 17,092,727	$ 3,555,882	$ -
Fees and fines	3,435,692	-	-
Interest	223,841	43,604	5,731
Contract receipts	-	-	-
Other receipts	1,509,806	-	-
Total Revenues	22,262,066	3,599,486	5,731
EXPENDITURES			
Current			
Executive	278,681	-	-
General administration	13,918,439	2,451,098	19,227
Health and welfare	898,005	-	-
Judicial	761,549	-	-
Legal	330,452	-	-
Public Safety	2,292,274	-	-
Total Current	18,479,400	2,451,098	19,227
Debt Service			
Bond issuance costs	-	-	-
Capital Outlay	-	-	-
Total Expenditures	18,479,400	2,451,098	19,227
Excess (deficiency) of revenues over (under) expenditures	3,782,666	1,148,388	(13,496)
Other financing sources (uses)			
Transfers in	4,534,497	-	-
Transfers (out)	(4,534,497)	-	-
Bonds issued	-	-	-
Net Other Financing Sources (Uses)	-	-	-
Net change in fund balance	3,782,666	1,148,388	(13,496)
Prior Period Adjustment/refund	-	-	-
Fund Balance, beginning of year	26,261,570	4,838,649	840,558
Fund Balance, end of year	$ 30,044,236	$ 5,987,037	$ 827,062

See the accompanying notes to the financial statements, which are an integral part of this statement.

Non-Major Funds		
Other Funds		Total Governmental Funds
-	$	20,648,609
-		3,435,692
16,830		290,006
1,118,374		1,118,374
210,062		1,719,868
1,345,266		27,212,549
-		278,681
661,633		17,050,397
263,517		1,161,522
-		761,549
-		330,452
508,630		2,800,904
1,433,780		22,383,505
-		-
-		-
1,433,780		22,383,505
(88,514)		4,829,044
7,140		4,541,637
(7,140)		(4,541,637)
-		-
-		-
(88,514)		4,829,044
(4,923)		(4,923)
2,835,747		34,776,524
2,742,310	$	39,600,645

ANDREWS COUNTY, TEXAS

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

September 30, 2017

Total Net Change in Fund Balances – Governmental Funds	$	4,829,044
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		26,349
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2017 capital outlays is to increase (decrease) net assets. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of $1,830,679 exceeded capital outlays of $1,182,340.		(648,339)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		167,276
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2016 caused the change in the ending net position to increase in the amount of $1,038,734. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(1,074,520). The County's reported TCDRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by $(1,306,248). The result of these changes is to increase/(decrease) the change in net position by $(1,342,034).		(1,342,034)
Change in Net Position of Governmental Activities	$	3,032,296

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Taxes	$ 16,723,060	$ 16,723,060	$ 17,092,727	$ 369,667
Fees and fines	3,517,505	3,649,740	3,435,692	(214,048)
Interest	53,006	53,022	223,841	170,819
Contract receipts	-	-	-	-
Other Receipts	932,977	934,493	1,509,806	575,313
Total Revenues	21,226,548	21,360,315	22,262,066	901,751
EXPENDITURES				
Executive				
County judge	254,943	279,005	278,681	324
General and administration				
County clerk	286,794	286,794	235,749	51,045
County auditor	323,607	327,287	323,944	3,343
Tax assessor/collector	393,730	393,730	391,418	2,312
Library	410,177	418,599	415,113	3,486
Election administration	71,935	71,935	69,904	2,031
Adult literacy program	17,733	17,733	16,279	1,454
Extension service	119,581	125,081	103,934	21,147
Senior citizens' center	338,789	338,789	321,405	17,384
Parks department	1,678,541	1,673,495	1,560,141	113,354
Golf course	409,973	409,973	390,127	19,846
Youth center	153,053	153,053	147,576	5,477
Lincoln center	28,350	28,350	24,239	4,111
Rodeo grounds	2,300	3,500	3,267	233
Airport	653,219	603,219	316,556	286,663
Golf pro shop	102,881	102,881	96,474	6,407
Posse building	3,700	3,700	2,240	1,460
Florey Park	44,300	44,300	40,716	3,584
B&B Community Building	19,940	20,737	20,489	248
Sports Complex	57,300	60,350	56,276	4,074
ACE Arena	418,416	441,555	390,571	50,984
Computer	509,784	509,784	485,857	23,927
Courthouse	185,000	217,647	174,215	43,432
Courthouse annex	28,020	28,020	18,634	9,386
Community building	14,200	14,200	12,554	1,646
Civic center	32,540	32,540	28,625	3,915
County jail	1,325,772	1,423,330	1,386,381	36,949
Landfill	103,128	103,128	61,208	41,920
Non-departmental	8,217,359	8,496,077	6,824,547	1,671,530
	15,950,122	16,349,787	13,918,439	2,431,348

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Health and Welfare				
Veteran's service officer	$ 9,266	$ 9,266	$ 7,166	$ 2,100
County health department	758,429	758,429	676,694	81,735
Mental health	7,500	7,500	6,089	1,411
Child protective services	58,000	58,000	56,000	2,000
Sanitarian	80,406	80,406	76,773	3,633
Program income	75,954	77,171	75,283	1,888
	989,555	990,772	898,005	92,767
Judicial				
District judge	281,664	293,164	280,310	12,854
District clerk	243,316	243,316	224,357	18,959
Justice of the Peace, Place 1	117,403	117,403	116,542	861
Justice of the Peace, Place 2	116,903	116,903	115,005	1,898
County district fees	300	525	525	-
Law library	5,000	5,000	1,839	3,161
Jury fund	16,500	18,000	12,200	5,800
Other	7,000	12,771	10,771	2,000
	788,086	807,082	761,549	45,533
Legal				
County attorney	339,212	339,212	327,997	11,215
Other	3,700	3,700	2,455	1,245
	342,912	342,912	330,452	12,460
Public Safety				
Sheriff	1,703,365	2,125,698	1,555,058	570,640
Constable, Place 1	64,436	64,820	63,727	1,093
Constable, Place 2	64,336	63,953	62,731	1,222
Highway patrol	5,800	5,800	5,132	668
Fire control	143,297	143,297	119,216	24,081
Adult probation	173,800	173,800	160,706	13,094
Juvenile probation	279,653	279,653	253,587	26,066
Other	41,714	104,276	72,117	32,159
	2,476,401	2,961,297	2,292,274	669,023
Total Expenditures	20,802,019	21,730,855	18,479,400	3,251,455
Excess (deficiency) of revenues over (under) expenditures	$ 424,529	$ (370,540)	$ 3,782,666	$ 4,153,206

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Other financing (uses)				
Transfers in	$ -	-	$ 4,534,497	$ 4,534,497
Transfers out	-	-	(4,534,497)	(4,534,497)
Net Other Financing (Uses)	-	-	-	-
Net Change in Fund Balance	424,529	(370,540)	3,782,666	4,153,206
Prior Period Adjustment/refund	-	-	-	-
Fund Balance, beginning of year	26,261,570	26,261,570	26,261,570	-
Fund Balance, end of year	$ 26,686,099	$ 25,891,030	$ 30,044,236	$ 4,153,206

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Taxes	$ 3,405,867	$ 3,405,867	$ 3,555,882	$ 150,015
Interest	11,538	11,538	43,604	32,066
Other Receipts	-	2,200	-	(2,200)
Total Revenues	3,417,405	3,419,605	3,599,486	179,881
EXPENDITURES				
Precinct #1	622,239	622,239	523,904	98,335
Precinct #2	774,768	774,768	602,962	171,806
Precinct #3	860,223	862,423	794,468	67,955
Precinct #4	707,073	707,073	529,764	177,309
Total Expenditures	2,964,303	2,966,503	2,451,098	515,405
Excess of revenues over Expenditures	453,102	453,102	1,148,388	695,286
Other Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other sources (uses)	-	-	-	-
Net change in fund balance	453,102	453,102	1,148,388	695,286
Fund Balance, beginning of year	4,838,649	4,838,649	4,838,649	-
Fund Balance, end of year	$ 5,291,751	$ 5,291,751	$ 5,987,037	$ 695,286

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business – Type Activities	Governmental Activities
	Enterprise Fund - WCS	Internal Service Fund
ASSETS		
Cash and cash equivalents	$ -	$ 445,309
Investments	7,253,094	3,694,755
Due from other funds	100	88,482
Due from others	-	253,398
Lease receivable	62,827,195	-
Total Assets	70,080,389	4,481,944
LIABILITIES		
Accounts payable	57,210	1,116,189
Accrued interest payable	257,385	-
Prepaid lease payments	6,683,725	-
Bonds payable	63,080,000	-
Total Liabilities	70,078,320	1,116,189
NET POSITION		
Unrestricted	2,069	3,365,755
Total Net Position	$ 2,069	$ 3,365,755

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Business – Type Activities	Governmental Activities
	Enterprise Fund - WCS	Internal Service Fund
OPERATING REVENUES		
Insurance premiums received	$ -	$ 3,261,911
Total Operating Revenues	-	3,261,911
OPERATING EXPENSES		
Premiums and claims	-	3,266,846
Total Operating Expenses	-	3,266,846
Operating Income (Loss)	-	(4,935)
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,175,357	31,284
Other expense	-	-
Interest expense	(4,175,357)	-
Total Nonoperating Revenues (Expenses)	-	31,284
Changes in Net Position	-	26,349
Transfers in (out)	-	-
Total Net Position, beginning of year	2,069	3,339,406
Total Net Position, end of year	$ 2,069	$ 3,365,755

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business – Type Activities: Enterprise Fund - WCS	Governmental Activities: Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Insurance premiums received	$ -	$ 3,261,911
Insurance premiums and claims paid	-	(3,266,846)
Net change in accounts payable and other liabilities	33,228	584,265
Net change in other assets	533	(341,880)
Net cash provided by operating activities	33,761	237,450
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Bond activity, net	(1,970,000)	-
Interest and other costs paid	(4,175,357)	-
Net cash used in noncapital financing activities	(6,145,357)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments, net	(33,232)	68,913
Lease receivable, net	1,969,471	-
Interest received	4,175,357	31,284
Net cash provided by/(used in) investing activities	6,111,596	100,197
Net increase/(decrease) in cash and cash equivalents	-	337,647
Cash and cash equivalents, beginning of year	-	107,662
Cash and cash equivalents, end of year	$ -	$ 445,309
RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Operating income/(loss)	$ -	$ (4,935)
Effect of increases and decreases in current assets and liabilities:		
Increase/(decrease) in accounts payable and other liabilities	33,228	584,265
(Increase)/decrease in other assets	533	(341,880)
Net cash provided by operating activities	$ 33,761	$ 237,450

See the accompanying notes to the financial statements, which are an integral part of this statement.

ANDREWS COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
September 30, 2017

		Trust and Agency
ASSETS		
Cash and cash equivalents	$	1,317,725
Investments		303,547
Total Assets		1,621,272
LIABILITIES		
Accounts payable		83,212
Due to other funds		3,709
Funds held for others		1,534,351
Total Liabilities	$	1,621,272

See the accompanying notes to the financial statements, which are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Andrews County, Texas (the "County") related to the funds in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity. Financial statements for component units can be obtained from the office of the County Auditor.

Included in the reporting entity:

Andrews County, Texas (Primary Government) -
The County is a political subdivision of the State of Texas. The County is governed by the Commissioners' Court, composed of four elected County Commissioners and an elected County Judge. Each of these officials serves a term of four years. The primary activities of the County include: the construction and maintenance of county roads, provision of public safety through a sheriff's department, administration of justice, correctional facilities, health and welfare services, culture and recreation through libraries, and other social and administrative services.

For the year ended September 30, 2017, no other organizations have been combined for either blended or discrete presentation in the County's financial statements. Excluded from the reporting entity are other entities within the county which provide similar services but are not included in the reporting entity because they do not meet the criteria are: municipalities, school districts, hospital districts, and various non-profit organizations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements

As previously discussed, the basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level. 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 for the financial reporting entity of the County. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide statement of net position reports all financial and capital resources of the County and is presented in an "assets minus liabilities equal net position" format with net position reported in order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the County's functions (General Administration, Health and Welfare, Judicial, Legal, and Public Safety) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. *Direct expenses* are clearly identifiable expenses that can be specifically associated with a function or segment. *Program revenues* are revenues derived directly from the function or segment or from other sources which reduce the net cost of the function to be financed from general government revenues. Program revenues are 1) charges to customers who purchase, use or directly benefit from services provided by a function or segment and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function or segment and, 3) grants and contributions restricted to capital requirements of a function or segment. Items such as taxes, unrestricted investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function or segment.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Grant revenues are considered to be available if they are to be received within the period of availability. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Revenues from property and sales taxes, grants and contracts, fees of office, forfeitures, 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 government.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, and then unrestricted resources as they are needed. The County had one enterprise fund during the year ended September 30, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The County has presented the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The *Road & Bridge Fund* is maintained to account for the construction and maintenance costs of roads constituting the County road system.

The *Capital Improvement Fund* is used to provide accounting control over capital improvement expenditures.

Additionally, the County reports the following fund types:

All Proprietary Funds are considered major funds. The *WCS Fund* is used to account for the operation of the WCS sales-leaseback transaction.

The *Internal Service Fund* is used to account for the County's group medical self-insurance program. The measurement focus of the internal service fund is upon the determination of net income, financial position and cash flows. Revenues derived from County contributions, employee and retiree/COBRA premiums, investment of idle funds and stop-loss reinsurance collections. Expenses are for claims and plan administration.

The *Trust and Agency Fund* accounts for assets that the County holds in a trustee capacity or as an agent for individuals, private organizations, or other governmental units and other funds are fiduciary funds maintained by the County.

New Pronouncements

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was issued June 2015. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement is effective for periods beginning after June 15, 2017. The County is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

GASB Statement 77, *Tax Abatement Disclosures,* was issued August 2015. This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. This statement is effective for periods beginning after December 15, 2015. The County has implemented GASB 77 in this annual report.

GASB Statement 79, *Certain External Investment Pools and Pool Participants,* was issued December 2015. This statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. This statement is effective for periods beginning after December 15, 2015. The County has implemented GASB 79 in this annual report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement 82, *Pension Issues-an amendment of GASB Statements 67, 68 and 73*, was issued March 2016. This statement addresses issues regarding (1) the presentation of payroll-related measured in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for reporting periods beginning after June 15, 2016. The County has implemented GASB 82 in this annual report.

GASB Statement 87, *Leases*, was issued June 2017. The objectives of this Statement are to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after December 31, 2020. The County is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

Budgetary Data

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the department level of each fund. Any expenditure, which alters the total budgeted amounts of a fund, must be approved by Commissioners' Court, and the budget then amended. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund and the special revenue fund.

The County follows these procedures in establishing the budgetary data reflected in the financial report: the County Judge has departmental meetings with management to determine the departmental budget requests; the County Judge, assisted by the County Auditor, submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following October (The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances); after proper publication of notice, a public hearing is conducted by the Commissioners' Court to obtain taxpayer comments; after the public hearing(s) the Commissioners' Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting on or before October 1st. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for internal managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay). Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of Commissioners' Court. Amendments to provide for items not included in the original budget may be made by the Commissioners' Court upon finding and declaration of the existence of an emergency sufficient to require action.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

County management can, with the exception of personnel items, make adjustments to their budgets within the department level. Appropriations not exercised in the current year lapse at the end of the year.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances as of September 30, 2017.

Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and temporary investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account. Funds with overdrawn accounts are disclosed as an overdraft payable in the liability section of the balance sheet.

Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

The appraisal of property within the county is the responsibility of the Andrews County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

Under the Code, the Commissioners' Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The Appraisal District bills and collects property taxes for the County.

The County's 2016 general fund tax levy, supporting the 2017 fiscal period budget, totaled $0.4805 per $100 valuation. The road and bridge tax levy, supporting the 2017 fiscal period budget, totaled $0.0850 per $100 valuation. The aggregate tax levy was $0.5655 per $100 valuation.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The County had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 4 for additional discussion of interfund receivables and payables.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, infrastructure, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2017, no capitalized interest was included in the cost of capital assets under construction.

Assets capitalized have an original cost of $1,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Leased assets are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and improvements	30-60 Years
Equipment	15-40 Years
Infrastructure	5-20 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 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:

- Difference between projected and actual earnings on pension plan – This difference is deferred and amortized over a closed five year period.
- Change in pension allocated share – This change results from the disaggregation of the aggregated County results. It is deferred and recognized over a closed five year period.
- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and 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:

- Unavailable revenues – The unavailable revenues that arise only under only the modified accrual basis of accounting qualify for reporting in this category in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and court-assessed fines and costs.
- Difference between expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Compensated Absences

Employees are allowed paid absences due to sickness and vacation. Sick leave starts accruing three months from hire date. It accrues at a rate of four (4) hours a pay period with a maximum of four hundred eighty (480). Sick leave benefits are recognized in the period in which time off is actually taken. Sick leave benefits are paid only upon retirement, not termination. Vacation benefits accrue monthly at rates depending upon an employee's length of service. Vacation benefits must be taken annually.

The following is a summary of benefits payable as of September 30, 2017:

Governmental activities	$153,142

Compensated absence liabilities for governmental activities have been paid from the general fund and various special revenue funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium and discount.

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, are reported as debt 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 bond 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 not in spendable form or they 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 the constraints that have been placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments. Additionally, these funds are 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 order of the Commissioners Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the 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 the 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance Classification, continued

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, Andrews County considers restricted funds to have been spent first. When expenditures are 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.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows of resources and deferred inflows of resources, and pension expense, County specific information about its fiduciary net position in the Texas County and District Retirement System ("TCDRS") and additions to/deductions from the County's fiduciary net position have been determined on the same basis as they are reported by TCDRS, administrator of the statewide agent multiple-employer pension plan system. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's total pension liability is obtained from TCDRS through a report prepared for the County by TCDRS consulting actuary, Milliman, Inc., in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

NOTE 2 – DEPOSITS AND INVESTMENTS

The County classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less as of the date of purchase. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments and investments as reported on the financial statements at September 30, 2017 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Cash and Temporary Investments:			
Cash (petty cash)	$ 2,440	$ -	$ 2,440
Financial Institution Deposits:			
Demand deposits	1,942,023	1,317,725	3,259,748
Local Government Investment Pools:			
TexPool	36,539,206	-	36,539,206
TexSTAR	29,517	303,547	333,064
Texas CLASS	30,482	-	30,482
Investments:			
Certificates of deposit	1,016,817	-	1,016,817
	$ 39,560,485	$ 1,621,272	$ 41,181,757

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to them. State statutes require that all deposits in financial institutions be fully collateralized by US 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 the deposits.

At year-end, in addition to petty cash of $2,440, the carrying amount of the County's deposits was $3,259,748, while the financial institution balances totaled $4,425,493. Certain of these balances represent amounts controlled by County courts and held by various financial institutions jointly under the name of the County and the court's beneficiaries and carrying the identification number of the beneficiaries.

Investments

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

The County's deposits and investments are invested pursuant to the investment policy, which is approved by Commissioners' Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. The policy addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County's management believes that it complied with the requirements of the PFIA and the County's investment policy.

The County's Investment Committee submits an investment report each quarter to the Commissioners' Court. The report details the investment positions of the County and the compliance of the investment portfolio as they relate to both the adopted investment strategy statements and Texas State law.

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

1. Obligations of the United States or its agencies and instrumentalities. Section 2256.009 (a) (1), PFIA and 116 Local Government Code;

2. Direct obligations of the State of Texas or its agencies and instrumentalities. Section 2256.009 (a) (2), PFIA and 116 Local Government Code;

3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities. Section 2256.009 (a) (4), PFIA;

Investments - Continued

4. Certificates of deposit issued by a depository institution that has its main office or a branch office in this state in accordance with Section 2256.010 (a) (1), PFIA: a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successors; or, secured by obligations that are described by paragraphs 1 through 3 above, which are intended to include all direct federal agency or instrumentality issued mortgaged backed securities, but excluding those mortgaged backed securities of the nature described in Section 2256.009 (b) of the PFIA, that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the County; b) governed by a Depository Agreement that complies with federal and state regulation to properly secure a pledged security interest and; c) solicited for bid orally, in writing, electronically, or any combination of these methods. Section 2256.005 (c) (1-4), PFIA;

5. Eligible investment pools organized and operating in compliance with the PFIA that have been authorized by the Commissioners' Court; and whose investment philosophy and strategy are consistent with this policy and the County's ongoing investment strategy. Disclosures of compliance with section 2256.0016 of the PFIA must be submitted by the pool. Investments pools created to function as a money market mutual fund must mark its portfolio to market daily and stabilize at a net asset value of $1.00 (one dollar).

The County's investment policy does not cover investments (trust funds) controlled by County courts and held by various financial institutions jointly under the name of the County and the court's beneficiaries and carrying the identification number of the beneficiaries.

The County participates in three Local Government Investment Pools (LGIP):

TexPool – The State Comptroller of Public Accounts oversees TexPool (The Texas Local Government Investment Pool) but Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar – TexStar is administered by First Southwest Asset Management, Inc. and JPMorgan-Chase. TexStar is a local government investment pool created under the Interlocal Corporation Act and is rated 'AAAm' by Standard & Poor's. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act. TexStar uses amortized cost rather than fair value to report net position to complete share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares.

Texas CLASS – is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act and is supervised by a Board of Trustees who are elected by participants and is managed by Cutwater Asset Management. Texas CLASS carries a letter of credit that ensures the integrity of the fund. Texas CLASS is rated 'AAAm' by Standard & Poor's rating services. Texas CLASS uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

NOTE 2 – DEPOSITS AND INVESTMENTS - Continued

At September 30, 2017, TexPool, TexSTAR, and Texas CLASS had weighted average maturities of 34 days, 27 days, and 13 days, respectively. Although TexPool, TexSTAR, and Texas CLASS portfolios had weighted average maturities of 100 days, 91 days, and 26 days, the County considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value. The County's investments carried at fair value as of September 30, 2017 are:

Investment Type		Fair Value	Credit Risk
Local government investment pools			
TexPool	$	45,494,952	AAAm
TexSTAR		859,942	AAAm
Texas CLASS		983,850	AAAm
Certificates of Deposit		1,016,817	
Total Fair Value	$	48,355,561	

Credit Risk and Concentration of Credit Risk- As of September 30, 2017, the LGIPs are rated AAAm by Standard and Poor's. The certificates of deposit are insured and covered by collateral held by the County's agent in the County's name. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligation, the County limits investments in obligations of, or guaranteed by, governmental entities, public funds investment pools rated as to investment quality by a nationally recognized investment rating firm no lower than AAA or AAAm or its equivalent and certificates of deposit.
Custodial Credit Risk - Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of September 30, 2017, all of the County's investments are held in the County's name.
Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will be timed so that a part of each fund's investments mature each month; thus ensuring availability of funds. To further ensure liquidity, a minimum cash balance of $2,000,000 will maintained (fully collateralized) in the depository bank.
Foreign Currency Risk - Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the U.S. dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investments instruments. Consequently, the County is not exposed to foreign currency risk.

Fair Value Hierarchy - The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. GASB 79 created an election for external investment pools and pool participants to continue to utilize amortized cost accounting, rather than fair value, for certain investment pools and eliminated the reference to SEC 2A-7 guidance. Participants in qualifying pools would be permitted to continue measuring investments at amortized cost if they met certain criteria. The County's investment pools (TexPool, TexSTAR, and Texas CLASS) are in compliance with GASB 79. The County's investment pools TexSTAR and Texas CLASS have elected to continue to measure its investments at fair value even though they meet all criteria under GASB 79 to report at amortized cost. These investment pools maintain a stable net asset value (NAV) of $1 per share using the fair value method. The County has no unfunded commitments to these pools and may redeem investments at any time. The County's investment pool TexPool has elected to continue reporting assets at amortized cost. The County has mirrored these valuations.

The County is required to disclose the fair value level of its investments within the fair value hierarchy established by GASB 72. In the fair value hierarchy, there are three levels:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

As of September 30, 2017, the County's investments all were exempt from the level of fair value disclosure because they are valued either at NAV or amortized cost. Nonnegotiable certificates of deposit are not subject to fair value and would also not be subject to the fair value level disclosures required by GASB 72.

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Receivables and Allowances

Receivables as of September 30, 2017, for the County's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road & Bridge Fund	Capital Improvement Fund	Other Governmental Funds	Total
Receivables:					
Ad valorem taxes	$ 752,282	$ 128,739	$ -	$ -	$ 881,021
Accrued interest	250	-	-	-	250
Due from others	13,106	25	-	-	13,131
Due from state	5,000	-	-	89,299	94,299
Gross receivables	770,638	128,764	-	89,299	988,701
Less Allowance for Uncollectibles:					
Ad valorem taxes	75,228	12,874	-	-	88,102
Net Receivables	$ 695,410	$ 115,890	$ -	$ 89,299	$ 900,599

Receivables From Other Governments

The County participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the County receives entitlements from the State through the legislative actions and taxes collected by the State on behalf of the County (sales and other taxes). All federal grants shown are either direct or passed through state or local agencies and are reported on the financial statements as due from other governments.

The amount due from the state government as of September 30, 2017 to non-major governmental funds is $89,299.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2017, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund	Road & Bridge Fund	Capital Improvement Fund	Other Governmental Funds	Total
Unavailable:					
Delinquent property taxes receivable	$ 677,054	$ 115,865	$ -	$ -	$ 792,919

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2017 consisted of the following:

Receivable Fund		Amount	Payable Fund		Amount
General Fund	$	6,964	Immunization Grant Fund	$	(6,964)
General Fund		2,207	Juvenile – Basic Supervision		(2,207)
General Fund		2,439	Juvenile – Community Program		(2,439)
General Fund		3,709	Trust and Agency Fund		(3,709)
General Fund		2,292	Economic Development		(2,292)
Road & Bridge Funds		27,508	General Fund		(27,508)
Internal Service Fund		88,481	General Fund		(88,481)
WCS Enterprise Fund		100	General Fund		(100)
Maternal & Child Health Services		1,644	Immunization Grant Fund		(1,644)
Maternal & Child Health Services		271	Preventive Health & Health Services Fund		(271)
Road & Bridge Funds		5,575	County Transportation Infrastructure Fund		(5,575)
	$	141,190		$	(141,190)

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include short-term borrowings for reimbursement grants and some revenue or expenditures/expense adjustments between funds at or near year-end.

NOTE 5 - CAPITAL ASSETS

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 543,634	$ -	$ -	$ 543,634
Construction in progress	-	30,194	-	30,194
Total capital assets not being depreciated	543,634	30,194	-	573,828
Capital assets being depreciated:				
Buildings & Improvements	20,477,196	785,026	-	21,262,222
Equipment	14,306,940	367,120	(634,354)	14,039,706
Infrastructure	13,104,554	-	-	13,104,554
Total capital assets being depreciated	47,888,690	1,152,146	(634,354)	48,406,482
Less accumulated depreciation	(32,811,505)	(1,830,679)	581,342	(34,060,842)
Total capital assets being depreciated, net	15,077,185	(678,533)	(53,012)	14,345,640
Governmental activities capital assets, net	$ 15,620,819	$ (648,339)	$ (53,012)	$ 14,919,468

Depreciation expense was charged as direct expense to functional categories of the County as follows:

Governmental activities:	
Executive	$ 9,905
General administrative	1,316,607
Health and welfare	4,747
Judicial	290
Legal	3,352
Public safety	495,778
Total depreciation expense	$ 1,830,679

Notable additions to capital assets are Kids' Kingdom, a joint project with the City of Andrews. Total expenditures of the renovation were $758,050, of which Andrews County paid $750,000. These expenditures do not include in-kind services provided by the employees of Andrews County and the City of Andrews for preparation and construction services. Other capital assets added during the year were two vehicles for Precinct 2, two sets of bleachers for use at community events, and the commencement of the fuel pump upgrades at the airport.

NOTE 6 - DISAGGREGATION OF ACCOUNTS AND ACCRUED LIABILITIES PAYABLE

Receivables at September 30, 2017, were as follows:

	Property Taxes	Other Governments	Interest	Other	Total Receivables
Governmental Activities:					
General Fund	$ 677,054	$ 5,000	$ 250	$ 628,035	$ 1,310,339
Road & Bridge Fund	115,865	-	-	25	115,890
Nonmajor Governmental Funds	-	89,299	-	-	89,299
Internal Service Fund	-	-	-	253,398	253,398
Total Governmental Funds	$ 792,919	$ 94,299	$ 250	$ 881,458	$ 1,768,926
Business Type Activities	$ -	$ -	$ -	$ -	$ -

Payables at September 30, 2017, were as follows:

	Accounts	Due to Other Governments	Total Payables
Governmental Activities:			
General Fund	$ 431,239	$ -	$ 431,239
Road & Bridge Fund	61,867	-	61,867
Capital Improvement Fund	-	-	-
Nonmajor Governmental Funds	24,107	4,923	29,030
Internal Service Fund	1,116,189	-	1,116,189
Total Governmental Funds	$ 1,633,402	$ 4,923	$ 1,638,325
Business Type Activities	$ 57,210	$ -	$ 57,210

NOTE 7 – SALE/LEASEBACK OF WASTE CONTROL SPECIALISTS, LLC

During the fiscal year ended September 30, 2011, the County provided funding through a sale/leaseback transaction with Waste Control Specialists, LLC (“WCS”), an unrelated third party, in the amount of $75,000,000. This sale/leaseback transaction included the facilities of WCS and additionally collateralized by the common shares of a third party entity.

The sale/leaseback transaction involved primarily two agreements, a standard real estate purchase agreement whereby WCS sold and transferred the facilities to the County, and a long-term lease whereby WCS leased the facility from the County. Under the purchase agreement, the County paid $75,000,000 in cash for the facility at closing.

Concurrent with the sale, WCS leased the facility back and will pay all incidental expenses. Lease payments from WCS to the County are approximately $512,000 per month from January 2011 to August 2035, which includes an interest component.

Year Ending September 30,	Principal	Interest	Lease Payments
2018	1,840,569	4,301,525	6,142,094
2019	1,971,755	4,169,316	6,141,071
2020	2,113,699	4,027,628	6,141,327
2021	2,266,774	3,876,000	6,142,774
2022	2,429,323	3,713,135	6,142,458
Thereafter	52,205,075	27,685,429	79,890,504
	$ 62,827,195	$ 47,773,033	$ 110,600,228

See Note 19 – Subsequent Events for further information regarding the sale of WCS.

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of a single issue of General Obligation Bonds and the County's accrued liability for compensated absences. General Obligation Bonds are direct obligations of the County with the County's full faith and credit pledged towards payment of those obligations. General Obligation Bonds are issued after approval by the public at open elections. Principal and interest payments on the County's bonded debt are secured solely by ad valorem taxes levied on all taxable property within the County. Andrews County's outstanding bonded debt is limited, per Article 3, Section 52 of the Texas Constitution, to an amount not exceeding 25% of the assessed taxable value of real property in the County. At year end, the County's debt was significantly below this limit. General Obligation Bond indentures require the County to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity or at least 2% of the principal as a sinking fund, whichever is greater.

A summary of the long-term debt of the County's business-type activities is as follows:

Description	Balance at 10/01/2016	Additions	Retirements	Balance at 9/30/2017	Due Within One Year
$75,000,000 Permanent Improvement Bonds Taxable Series 2010 Interest Ranging from 1.728% to 6.958%	$65,050,000	-	$1,970,000	$63,080,000	$2,050,000

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2018	$ 2,050,000	$ 4,092,184
2019	2,145,000	3,996,059
2020	2,250,000	3,891,190
2021	2,365,000	3,777,813
2022	2,505,000	3,637,355
2023	2,655,000	3,488,583
2024-2028	15,920,000	14,795,822
2029-2033	22,050,000	8,664,095
2034-2035	11,140,000	1,176,598
	$ 63,080,000	$ 47,519,699

See Note 19 – Subsequent Events for further information regarding the sale of WCS.

<u>Arbitrage Rebate Liability</u>

The Tax Recovery Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local governmental bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due on an annual basis and remit the amount due at least every five years. The County has not incurred such a liability in the fiscal year 2017.

NOTE 9 - PENSION PLAN

General Information about the Pension Plan

Plan Description
The County provides retirement, disability, and death benefits for all of its full-time employees through 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 over 500 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or www.tcdrs.org.

Benefits Provided
The Commissioners' Court of Andrews County adopts the plan provisions within the options available in the Texas State statutes governing TDCRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or 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 8 years of service but accumulated contributions must be left in the plan. Retirement benefits are based on the members' final account balance and employer matching. Members who withdraw their personal contributions in a lump sum are not entitled to any employer matching. Disability retirement benefits are determined in the same manner as retirement benefits. Death benefits are available to the beneficiaries of the members with four or more years of service. Cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date are at the discretion of the Commissioners' Court.

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

Contributions
The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The County's contribution rate was 15.14% for 2016, and 15.88% for 2017. The employee's member contribution rate remained at 7% for 2017. Contributions to the pension plan from the County were $1,467,174 for the year ended September 30, 2017.

NOTE 9 - PENSION PLAN - Continued

Net Pension Liability

The County's net pension liability was measured as of December 31, 2016, and the total pension liability 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, applied to all periods included in the measurement:

Inflation	*3.0%*
Payroll growth	*4.9% average over career including inflation*
Investment rate of return	*8.0%, net of investment expenses, including inflation*

In the 2016 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously, Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2012 except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Geometric Real Rate of Return (Expected less Inflation) (2)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities – Developed	10.00%	4.70%
International Equities – Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
	100.00%	

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting
(2) Geometric real rates of return equal to expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.

NOTE 9 - PENSION PLAN - Continued

Net Pension Liability - Continued

Discount Rate

The discount rate used to measure the total pension liability was 8.10 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (a) – (b)**
Balances as of December 31, 2015	$71,146,556	$60,651,820	$10,494,736
Changes for the year:			
Service cost	1,519,602	-	1,519,602
Interest on total pension liability	5,672,527	-	5,672,527
Change in benefit terms	-	-	-
Difference between expected/actual experience	14,539	-	14,539
Changes of assumptions	-	-	-
Contributions – employer	-	1,502,960	(1,502,960)
Contributions – employee	-	694,898	(694,898)
Net investment income	-	4,478,510	(4,478,510)
Benefit payments, including refunds	(3,794,601)	(3,794,601)	-
Administrative expenses	-	(48,685)	48,685
Other charges	-	131,431	(131,431)
Balances as of December 31, 2016	$74,558,624	$63,616,332	$10,942,292

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

The following presents the net pension liability of the County, calculated using the discount rate of 8.10 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percent-lower (7.10 percent) or 1-percent-higher (9.10 percent) than the current rate:

	1% Decrease 7.10%	**Current Discount Rate 8.10%**	**1% Increase 9.10%**
Net pension liability/(asset)	$19,691,133	$10,942,292	$3,592,240

NOTE 9 - PENSION PLAN - Continued

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 in the amount of $2,809,206. 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 experience	$9,693	$514,326
Changes of actuarial assumptions	276,359	-
Net difference between projected and actual earnings	3,713,415	-
Pension contributions made after the measurement date	1,038,734	-
Total	$5,038,201	$514,326

Deferred outflows of resources related to pensions resulting from pension contributions made after the measurement date of $1,038,734 will be recognized as a reduction of the net pension liability in the County's financial statements for the fiscal year ending September 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding pension contributions made after the measurement date, will be recognized in pension expense as follows:

Year ended September 30,	
2017	$1,033,160
2018	1,271,126
2019	1,106,023
2020	74,832
2021	-
Thereafter	-
	3,485,141

NOTE 10 - CONTINGENCIES

The County is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and in the opinion of the County management would not materially impact the financial position of the County at September 30, 2017.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

The County administers a self-insured, single-employer defined benefit plan which provides medical and dental insurance benefits that are considered Other Postemployment Benefits (OPEB) under Statements No. 43 and 45 of the GASB. These benefits are offered to employees of the County who retire after satisfying the following eligibility requirements:

- The employee has completed 20 years of service with the County, and
- The employee's age plus years of service is greater than or equal to 75.

The County assigns the authority to establish and amend benefit provisions to the Commissioners Court. Membership in the plan at October 1, 2016, the date of the latest full actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	10
Active employees	156

The Plan rates charged to retirees are set by the Commissioners Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis.

As of October 1, 2016, the date of the latest full actuarial valuation, the County's annual OPEB cost (expense) was $345,906 for the post-employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of the fiscal year ended September 30, 2017 were as follows:

Annual Required Contribution (ARC)	$	343,819
Interest on Net OPEB Obligation		(2,351)
Adjustment to Annual Required Contribution		4,438
Annual OPEB cost (expense)		345,906
Estimated Contributions made by the County		343,819
Increase in net OPEB Obligation		2,087
Net OPEB Obligation – Beginning of Year		(94,041)
Net OPEB Obligation – End of Year	$	(91,954)

Trend Information

Accounting Year Ending		Annual OPEB Cost (APC)	Percentage of Annual OPEB Contributed		Net Pension Obligation
9/30/15	$	254,396	99.14%	$	(96,233)
9/30/16	$	256,760	99.15%	$	(94,041)
9/30/17	$	345,906	99.40%	$	(91,954)

The funded status of the plan as of October 1, 2016 (most recent actuarial valuation) was as follows:

Actuarial Accrued Liability	$	2,946,206
Actuarial Value of Assets		-
Unfunded Actuarial Accrued Liability (UAAL)		2,946,206
Funded Ratio		0.0%

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the October 1, 2016 full actuarial valuation, a 2.50% discount rate was used. The medical trend rate of 7% and the dental trend rate 2.50%. The actuarial cost method used in valuing the County's liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County ("Continuation Coverage") by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. The County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current "pay-as-you-go" basis for a single fiscal year through an annual appropriation authorized by the Commissioners Court during the County's annual budget adoption process.

GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

NOTE 12 – SELF-INSURANCE

The County maintains a self-administered group medical plan. The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee with dependent coverage make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by third-party administrator. The third-party administrator pays claims based on the health plan by withdrawing the funds directly from the county-maintained bank account. The third-party administrator charges the County a fee to administer the claims. The County's specific deductible (stop-loss coverage) is $35,000 per insured.

Estimates of claims payable and of claims incurred, but not reported at September 30, 2017 are reflected as accounts payable of the fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balance of claim liabilities during the year are as follows:

		Year Ended September 30, 2017
Unpaid claims, beginning of the year	$	531,924
Incurred claims (including IBNR's)		3,266,846
Claim payments		(2,682,581)
Unpaid claims, end of the year	$	1,116,189

NOTE 13 – RISK MANAGEMENT

The County participates in a workers' compensation pool administered by the Texas Association of Counties. The Texas Association of Counties handles claims adjusting and related administrative services for the program. Premiums are evaluated annually by position class code at actuarially determined rates. The County workers' compensation program provides medical and indemnity payments as required by law for on-the-job related injuries and is accounted for by the use of departmental expenditures based on a percentage of payroll.

The pool that the County participates in has provided reinsurance coverage for excess workers' compensations and employer's liability. The County does not recognize any liability for outstanding losses for incurred but not reported claims. The Texas Association of Counties assumes this responsibility.

The County currently provides medical and dental insurance for its employees with basic prescription and life benefits attached. The group insurance plan is self-insured. The plan pays the full cost of the claims for its members.

The Commissioners' Court of Andrews County is aware that the County has risk of loss exposure to liability and accidental loss of real and personal property as well as human resources. County operations involve a variety of high-risk activities including, but not limited to, road and bridge maintenance, law enforcement, and construction.

NOTE 14 - DEFICIT FUND BALANCE

As of September 30, 2017, certain funds of the County had a deficit fund balance. Deficit balances will either be offset by future revenues or reimbursed by the General Fund.

NOTE 15 – PROPERTY TAX ABATEMENTS

For financial reporting purposes, GASB 77 defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

The City of Andrews, Andrews County and Andrews County Hospital District (hereinafter referred to as the Affected Jurisdictions) located within the County of Andrews, Texas, are committed to the promotion of business development and to an ongoing improvement in the quality of life for their citizens. The Affected Jurisdictions recognize that these objectives are generally served by enhancement and expansion of the local economy. The Affected Jurisdictions will, on a case by case basis, give consideration to providing tax abatement, as authorized by V.T.C.A., Tax Code, Chapter 312, as stimulation for economic development with the Affected Jurisdictions.

Eligibility criteria, the mechanism by which taxes are abated, and provisions for recapturing abated taxes are detailed in the Guidelines and Criteria Governing Tax Abatement in Andrews, Texas found on http://andrewsedc.com/wp-content/uploads/2015/11/Tax-Abatement-I-Guidelines-2016.pdf. Accounts are 100% abated after base value. The base value is the existing value before the abated new improvement value exists.

The following tax abatements were entered into by the County in fiscal year 2017:

Name	Reason	Type	Abated Value	Tax Abated
813 Hospital Drive LLC	Remodel	Real	$43,096	$243.71
Anixter Inc.	New BPP	Pers	246,687	1,395.01
Anixter Inc.	New BPP	Pers	300,000	1,696.50
Black Hawk Energy Services Ltd.	New Construction	Real	317,368	1,794.72
Bustamante Jose D & Sonia	Remodel	Real	327,963	1,854.63
D & DJ Service Ltd.	New Construction	Real	471,802	2,668.04
Dillan & Andrea Taylor Enterprises LLC	Remodel	Real	18,209	102.97
Enlink Midstream – Coronado	New BPP	Pers	4,480	25.33
Enlink Midstream – Coronado	New Construction	Real	2,995,305	16,938.45
Enlink Midstream – Coronado	New Construction	Real	9,645,708	54,546.48
FA Ventures, LLC	New Construction	Real	302,672	1,711.61
JGL Solutions Ltd.	Remodel	Real	184,020	1,040.63
KV Power	New Construction	Real	1,249,139	7,063.88
KV Power, LP	New BPP	Pers	317,134	1,793.39
Lee Var Inc.	New Construction	Real	953,630	5,392.78
Leeco Energy & Investments Inc.	New Construction	Real	314,593	1,779.02
Leeco Energy & Investments Inc.	New Construction	Real	233,096	1,318.16
Mustang Well Service LLC	New BPP	Pers	26,726	151.14
Orson Robert Estate & Loretta	New Construction	Real	95,551	540.34
Palmer of Texas Tanks Inc.	New BPP	Pers	317,671	1,796.43
Production Waste Solutions LLC	New BPP	Pers	2,153,087	12,175.71
Roye Delores E Trust 09/21/92	Remodel	Real	22,997	130.05
RREAF Andrews LLC	New Construction	Real	3,368,404	19,048.32
RREAF Andrews LLC	New BPP	Pers	276,500	1,563.61
RREAFO&G Portfolio #2 LLC	New Construction	Real	3,699,420	20,920.22
RREAFO&G Portfolio #2 LLC	New BPP	Pers	300,580	1,699.78
Salazar Service & Trucking Corp	New Construction	Real	647,251	3,660.20
Salazar Srvc & Trucking Corp	New BPP	Pers	186,940	1,057.15
Scott Jerry Lynn	Remodel	Real	20,350	115.08
Viva Well Servicing Co LP	New BPP	Pers	33,545	189.70
Viva Well Servicing II LP	New Construction	Real	242,895	1,373.57
Westex Andrews LLC	New Construction	Real	2,901,904	16,410.27
Westex Andrews LLC	New BPP	Pers	8,000	45.24
Totals			**$32,226,723**	**$182,242.12**

Total abated value	$32,226,723
X 2017 Tax Rate (County 0.004805, R&B 0.00085)	0.005655
Total abated property tax for FYE September 30, 2017	$182,242.12

NOTE 16 - GRANTS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2017, the County applied for and received federal and state grants related to various activities. The operations of these grants are reported in the general fund, and various special revenue funds. For the most part, these grants are reimbursement type grants, therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues. The federal grants are covered by the requirements of the Single Audit Act and Uniform Guidance. The state grants are covered by the State of Texas Single Audit Circular.

NOTE 17 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2017, the County incurred expenditures in excess of appropriations within certain of its funds. Although these expenditures exceeded budget, they were appropriately authorized and resulted from grant increases.

NOTE 18 – FEDERALLY ASSISTED PROGRAMS – COMPLIANCE AUDITS

The County participates in numerous state and federally assisted programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principle among these, are the various Texas Department of Health and Texas Department of Transportation Grants.

In connection with these grants, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by grantors and their representatives, including audits under the "single audit" concept and compliance examinations which build upon such audits.

In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability not to have a material adverse effect to its financial position.

NOTE 19 – SUBSEQUENT EVENTS

Management of the County has performed an evaluation of the County's activity through July 11, 2018, the date these financial statements were available for issuance and noted no items requiring further disclosure.

In November 2015, a third-party entity signed a definitive agreement to acquire Waste Control Specialists LLC and assume all debt of the entity. In January 2018, WCS was sold to a third party who intends to defease the outstanding bonds of Andrews County and pay off all outstanding balances due. Therefore, the future impact the financials of the County would be the removal of all lease receivables and bonds payable in the amounts of approximately $61,000,000, respectively.

NOTE 20 – PRIOR PERIOD ADJUSTMENTS/REFUNDS

The government-wide statement of activities shows a prior period adjustment/refund of $4,923. This is the amount due back to the state at September 30, 2017 for overspending in grant funds.

INTENTIONALLY LEFT BLANK

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

(This Page Intentionally Blank)

NORTON ROSE FULBRIGHT

[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "Andrews County, Texas, Certificates of Obligation, Series 2018," dated August 15, 2018, in the principal amount of $17,540,000 (the "Certificates"), we have examined into their issuance by Andrews County, Texas (the "County"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the County, the disclosure of any financial or statistical information or data pertaining to the County and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in the order adopted by the Commissioners Court of the County authorizing the issuance of the Certificates (the "Order"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Order.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Order and an examination of the initial Certificate executed and delivered by the County (which we found to be in due form and properly executed); (ii) certifications of officers of the County relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the County and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the County and, when issued in compliance with the provisions of the Order, are valid, legally binding and enforceable obligations of the County, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the County in the manner and to the extent provided in the Order, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the County with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. For taxable years that began before January 1, 2018, interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company