

**OFFICIAL NOTICE OF SALE AND BIDDING INSTRUCTIONS
BID FORM
AND
PRELIMINARY OFFICIAL STATEMENT**

\$15,000,000*

**COMAL COUNTY, TEXAS
LIMITED TAX GENERAL OBLIGATION BONDS,
SERIES 2018**

**Bids Due
Wednesday, May 16, 2018
at 11:00 A.M., Central Time**

** Preliminary, subject to change. See "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" herein.*

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds described herein. The invitation for bids on such Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

**OFFICIAL NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

**\$15,000,000*
COMAL COUNTY, TEXAS
LIMITED TAX GENERAL OBLIGATION BONDS,
SERIES 2018**

Sealed Bids Due on Wednesday, May 16, 2018 at 11:00 A.M. Central Time

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING. Comal County, Texas (the "County") is offering for sale at competitive bid its \$15,000,000* Limited Tax General Obligation Bonds, Series 2018 (the "Bonds").

PLACE AND TIME OF SALE. Bids for the purchase of the Bonds will be received until 11:00 A.M., Central Time, on Wednesday, May 16, 2018 at the County Auditor's Office, 150 N. Seguin, New Braunfels, Texas 78130. All bids received will be publicly opened and read at such time and place, and the results will be considered by an Authorized Official (as defined in the Order), who shall confirm selection of the winning bidder by executing an Approval Certificate (as defined in the Preliminary Official Statement) and the Official Bid Form not later than 11:00 A.M., Central Time, on Wednesday, May 16, 2018.

BIDDING PROCEDURES. No later than 11:00 A.M., Central Time, on Wednesday, May 16, 2018, bidders who wish to submit their bids electronically or by facsimile must provide two signed copies of the "Official Bid Form" and two signed copies of the "Issue Price Certificate," together with an envelope addressed to the County Judge, Comal County, County Courthouse, Room 201, 150 N. Seguin, New Braunfels, Texas 78130, and plainly marked "Bid for Bonds," to Duane Westerman, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209.

Bidders must submit bids for the Bonds by one of the following methods:

- (1) Deliver bids directly to the County as described below in "Bids Delivered Directly to the County;"
- (2) Submit bids electronically as described below in "Electronic Bidding Procedure;" or
- (3) Submit bids by facsimile as described below in "Facsimile Bidding Procedure."

Bids Delivered Directly to the County . . . Bids delivered directly to the County, which must be submitted in duplicate on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to County Judge, Comal County, County Courthouse, Room 201, 150 N. Seguin, New Braunfels, Texas 78130. All such bids must be delivered at the above address no later than 11:00 A.M., Central Time, on Wednesday, May 16, 2018.

Electronic Bidding Procedure . . . Interested bidders may, at their option, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Wednesday, May 16, 2018.

Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of the BIDCOMP/PARITY System ("PARITY"). Subscription to the Ipreo's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder. In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile as described below. Any bid received after the scheduled time for their receipt will not be accepted. If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, (212) 849-5021.

* Preliminary, subject to change (see "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" and "CONDITIONS OF THE SALE - Basis of Award").

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time for the receipt of bids. For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the County, as described under "CONDITIONS OF THE SALE - Basis of Award" below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement.

Facsimile Bidding Procedure . . . Interested bidders may, at their option, submit their bid by facsimile as described below.

Mr. Westerman will accept bids by facsimile until 11:00 A.M., Central Time, on Wednesday, May 16, 2018 at (210) 832-9794. Each bid received by facsimile will be attached to the corresponding signed Official Bid Form as mentioned above, after which Mr. Westerman will, on behalf of the bidders, submit such bids on the bid forms to the County in the manner provided above. Mr. Westerman will not be responsible for submitting bids received after Wednesday, May 16, 2018, 11:00 A.M., Central Time.

Neither the County nor SAMCO Capital Markets, Inc. is responsible for any failure of their or the sender's facsimile machine, any failed delivery of a facsimile, any incomplete or ambiguous transmittals, or the disclosure of the bid to any persons prior to bid opening. If any portion of a facsimile bid is illegible, the County and SAMCO Capital Markets, Inc. may, at their option, either call any provided reference number for clarification or reject the bid. **Bidders who fax bids do so at their own risk. All such bids shall be binding on the bidder.**

AWARD OF BONDS. The County intends to award the Bonds on the basis of the lowest net interest cost bid. The interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds to their respective stated maturities.

THE BONDS

DESCRIPTION. The Bonds will be dated May 1, 2018 (the "Dated Date") with interest to accrue from the Dated Date and to be payable initially on February 1, 2019 and semiannually on August 1 and February 1 thereafter until stated maturity or prior redemption. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by ZB, National Association, dba Amegy Bank, Houston, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.) The Bonds will be stated to mature on February 1 in each of the following years in the following amounts:

<u>Stated Maturity February 1</u>	<u>Principal* Amount (\$)</u>
2020	550,000
2021	750,000
2022	750,000
2023	750,000
2024	750,000
2025	750,000
2026	800,000
2027	780,000
2028	865,000
2029	1,025,000
2030	1,330,000
2031	1,315,000
2032	1,300,000
2033	3,285,000

* Preliminary, subject to change (see "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" and "CONDITIONS OF THE SALE - Basis of Award").

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS. After final computation of the bids, the County reserves the right in its sole discretion either to decrease or increase the principal amount of any stated maturity of the Bonds. The aggregate principal amount of the Bonds may be adjusted by no more than 10% of the proposed par amount by the Authorized Official, acting pursuant to delegated authority as authorized by the Order. Such adjustment(s), if any, shall be made within four (4) hours of the initial award of the Bonds. The price at which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the original par amount of Bonds bid. In order to calculate the yield on the Bonds for federal tax law purposes and as a condition precedent to the award of the Bonds, bidders must disclose to the County in connection with their respective bids the price (or yield to stated maturity) at which each stated maturity of the Bonds will be reoffered and sold for (or expected to be sold) to the public.

In the event of any adjustment of the maturity schedule for the Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the County or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE - Basis of Award" herein and shall not affect such determination. The successful bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

There is no guarantee that adjustments and/or revisions will not be necessary in order to properly size the Bonds. Accordingly, the County reserves the right in its sole discretion to make adjustments as previously described above, even if the issue size of the Bonds does not change from the original par amount of Bonds. In the event of any such adjustment and or revision, no rebidding will be permitted, and the purchase price as may have been bid on the Bonds shall be adjusted accordingly.

PURPOSE. Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping a building or buildings, purchasing technology, and the purchase and improvement of the necessary sites therefor, that will be utilized for jail facilities, related administrative facilities, and Sheriff's Office facilities, and (ii) paying professional services associated with the costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS" in the Preliminary Official Statement.

OPTIONAL REDEMPTION. The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2027, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2026, or on any date thereafter, at a price of par, plus accrued interest to the date fixed for redemption.

SERIAL BONDS AND/OR TERM BONDS. Bidders may provide that all the Bonds be issued as serial bonds maturing in accordance with the Maturity Schedule shown above or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds (the "Term Bonds") provided that such Term Bonds shall be subject to mandatory sinking fund redemption in the amounts and in the years described in the Maturity Schedule above as if such Term Bonds remained serial bonds.

BOOK-ENTRY-ONLY SYSTEM. The County intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC") with respect to the issuance of the Bonds. (See "BOOK-ENTRY-ONLY SYTEM" in the Official Statement.)

PAYING AGENT/REGISTRAR. The initial Paying Agent/Registrar shall be ZB, National Association, dba Amegy Bank, Houston, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE" in the Preliminary Official Statement). If the Paying Agent/Registrar becomes unable for any reason to act as Paying Agent/Registrar, the County has covenanted to appoint a successor Paying Agent/Registrar.

SECURITY FOR PAYMENT. The Bonds constitute direct obligations of the County payable from an annual ad valorem tax levied against all taxable property located therein, within the limitations prescribed by law.

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDER. Further details regarding the Bonds and certain covenants of the County contained in the Order are set forth in the Preliminary Official Statement to which reference is made for all purposes.

CONDITIONS OF THE SALE

THE INITIAL BONDS AND DENOMINATIONS OF BONDS. The Bonds will be issued only as fully registered obligations in the denomination of \$5,000 or any integral multiple thereof within a maturity.

TYPES OF BIDS AND INTEREST RATES. The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than 101.00% of their principal amount plus accrued interest from the Dated Date to the date of initial delivery of the Bonds to the Initial Purchaser (defined herein); provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds," which adjustment could result in the price of the Bonds of the bidders premium to exceed the parameters provided above. Bidders are invited to name the rate or rates of interest the Bonds shall bear, provided that each rate bid must

be stated in multiples of 1/8th of 1% or 1/20th of 1%, and the maximum rate bid must not exceed 5.00%. The highest rate bid may not exceed the lowest rate bid by more than 2.00% in rate. No limitation is imposed upon bidders as to the number of rates or changes that may be used, provided that all Bonds of one maturity must bear one and the same rate.

No bids with supplemental interest rates will be considered. Each bidder shall state in its bid the total interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not a part of the bid.

BASIS OF AWARD. For the purpose of awarding sale of the Bonds, the interest cost of each bid will be computed by determining the total cost of all interest on the Bonds from the Dated Date to their respective stated maturities, using the table of Bond Years herein. Subject to the County's right to reject any or all bids and to waive irregularities, except time of filing, the Bonds will be awarded to the bidder (the "Initial Purchaser" or "Purchaser") whose bid, based on the above computation, produces the lowest net interest cost to the County. In case of a tie, the County reserves the right to determine which bidder will be awarded the Bonds in accordance with applicable Texas law.

After selecting the winning bid, the principal authorization schedule may be adjusted as determined by the Commissioners Court and its Financial Advisor in cooperation with the Purchaser in \$5,000 increments to reflect the actual interest rates and to create level debt service to the County. Such adjustments will not change the principal amounts due on the Bonds in any year by more than 10%. The County will, in good faith, attempt to communicate such adjustment to the Initial Purchaser within four (4) hours after the opening of the bids.

In order to provide the County with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the exclusion of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the County on or before the date of Initial Delivery of the Bonds) a certification as to their "issue price" (the "Issue Price Certificate") in the form and to the effect attached hereto or accompanying this Official Notice of Sale, subject to the conditions set forth in "ESTABLISHMENT OF ISSUE PRICE" below.

ESTABLISHMENT OF ISSUE PRICE:

The winning bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County by the date of Initial Delivery an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the County, and Norton Rose Fulbright US LLP, the County's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the County under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's Financial Advisor and any notice or report to be provided to the County may be provided to the County's Financial Advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the County shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the County shall so advise the winning bidder. In such event, the County intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The County shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.** In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the County.

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the County the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the date of Initial Delivery has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold. The 10% test shall be considered satisfied with respect to a maturity when at least 10% of the Bonds of that maturity have been sold to the public at a particular price.

The County acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

GOOD FAITH DEPOSIT. A Good Faith Deposit, in the form of a Cashier's Check payable to "Comal County, Texas," in the amount of \$300,000.00* is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the until the Bonds are delivered. At that time, it will be returned to the Purchaser uncashed; however, should the Purchaser fail or refuse to take up and pay for the Bonds, said check is to be cashed by the County and the proceeds accepted as full and complete liquidated damages. The above-mentioned Good Faith Deposit may accompany the bid or it may be submitted separately. However, if submitted separately, it shall be made available to the County prior to the opening of the bids. It shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. Checks accompanying the bids of unsuccessful bidders will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM:

New obligation of the County to receive information from winning bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the County may not award the Bonds to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the County as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Bonds is the best bid received, the County, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the County's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the County to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Comal County, Texas) and (b) item 3 - the identification number assigned to this contract by the

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County (GO Bonds Series2018-Bid Form) and description of the goods or services (Purchase of the Comal County, Texas Limited Tax General Obligation Bonds, Series 2018). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the County to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the County. The executed Disclosure Form must be sent by email, to the County's financial advisor at dwesterman@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Clay Binford, c/o Norton Rose Fulbright US LLP, 300 Convent Street, Suite 2100, San Antonio, Texas 78205, along with a PDF executed version sent to clayton.binford@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the County, and no final award will be made by the County regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the County reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the County nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the County that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE:

To the extent the sale of Bonds that is the subject of this Notice of Sale constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, each bidder, through submittal of an executed Official Bid Form, verifies that, except to the extent otherwise required by applicable Federal law, it is a "company" which does not and will not boycott Israel through the term of the agreement set forth in the Official Bid Form. For purposes of this verification, the terms "company" and "boycott Israel" have the meanings ascribed to them by section 2270.001 of the Texas Government Code.

Each bidder, through submittal of the executed Official Bid Form, acknowledges that it is not a company (as defined in Section 2270.0001(2), Texas Government Code) which is on a list prepared and maintained by the Texas Comptroller of Public Accounts under Sections 2270.0201 or 2252.153, Texas Government Code.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the Official Bid Form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the County is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND. Initial delivery of the Bonds to the Purchaser (the "Initial Delivery") will be accomplished by the issuance of one Initial Bond (also called the "Bonds"), either in typed or printed form, in the aggregate principal amount of \$15,000,000.00,* payable in stated installments to the Purchaser, signed by manual or facsimile signature by the County Judge and County Clerk of Comal County, Texas, approved by the Texas Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery of the Bonds will be at the designated office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity payable to Cede & Co. will be exchanged therefore and delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the County, or as otherwise directed by the County. The Purchaser will be given seven (7) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Initial Bond can be made on or about May 24, 2018. If for any reason the County is unable to make delivery by May 24, 2018, then the County shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional up to thirty

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(30) days its obligation to take up and pay for the Bonds. If the Purchaser does not so elect within six (6) days thereafter, then its Good Faith Deposit will be returned and both the County and the Purchaser shall be relieved of further obligation. In no event shall the County be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the County's reasonable control.

DTC DEFINITIVE BONDS. After delivery of the Initial Bond, the Bonds will be issued in Book-Entry-Only form. Cede & Co. is the nominee for DTC. All references herein to the registered owner of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Purchasers of beneficial interests in the Bonds will be made in Book-Entry-Only form (without registered Bonds) in the denomination of \$5,000 principal amount or any integral multiple thereof. Under certain limited circumstances described herein, the County may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case such beneficial interests would become exchangeable for one or more fully registered obligations of like principal amount for the Bonds.

CUSIP NUMBERS. It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the County; however, the CUSIP Service Bureau charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS OF DELIVERY. The Purchaser's obligation to take up and pay for the Bonds is subject to the issuance of an approving opinion of the Texas Attorney General, the Purchaser's acknowledgment of the receipt of the Initial Bond, the opinion and the Purchaser's receipt of the legal opinion of Bond Counsel (hereafter defined), the no-litigation certificate, and a certificate as to Official Statement, all as described in the Preliminary Official Statement.

In order to provide the County with information required to enable it to comply with the conditions of the Internal Revenue Code of 1986 on the exclusion of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the County on or before the date of delivery of the Bonds a certificate as to the "issue price" substantially in the form of Exhibit I attached hereto. In the event the Purchaser will not reoffer the Bonds for sale, such certificate must be modified in a manner approved by the County. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds if its bid is accepted by the County. Delivery of the Bonds is conditioned upon receipt by the County from the Purchaser of such certificate. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINIONS. The County will furnish to the representative of the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of the State of Texas, that the Bonds are valid and legally binding obligations of the County and, based upon examination of such transcript of proceedings, the legal opinion of Norton Rose Fulbright US LLP, San Antonio, Texas ("Bond Counsel"). In addition, the County will receive an opinion from Bond Counsel to the effect that the interest on the Bonds, assuming continued compliance with the provisions of the Order, (1) is excludable from the gross income of the owners thereof for federal income tax purposes under the law existing on the date of Initial Delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described under "TAX MATTERS" in the Preliminary Official Statement, corporations. The opinion of Bond Counsel will be attached to the Bonds delivered to DTC. (See "TAX MATTERS" in the Preliminary Official Statement.)

NO-LITIGATION CERTIFICATE. The County will furnish an executed certificate to the Purchaser to the effect that no litigation of any nature has been filed or is then pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions for their payment or security, or in any manner questioning the validity of said Bonds.

CERTIFICATION OF OFFICIAL STATEMENT. At the time of payment for, and initial delivery of, the Initial Bond, the County will execute and deliver to the Purchaser a certificate in the form set forth in the Preliminary Official Statement. (See "OTHER PERTINENT INFORMATION - Authorization of the Official Statement" in the Preliminary Official Statement.)

CHANGES IN TAX-EXEMPT STATUS. At any time before the Bonds are tendered for delivery, the Purchaser may withdraw his bid if the interest received by private holders from obligations of the same type and character shall be declared to be taxable income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law (other than as described in the Preliminary Official Statement under "TAX MATTERS").

GENERAL CONSIDERATIONS

FINANCIAL ADVISOR. SAMCO Capital Markets, Inc. is employed as Financial Advisor to the County in connection with the issuance of the Bonds and will not submit a bid. SAMCO Capital Markets, Inc., has also been designated as the County's independent registered municipal advisor. The Financial Advisor's fee for services rendered with respect to the

sale of the Bonds is contingent upon the issuance and delivery of the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

NOT AN OFFER TO SELL. The Official Notice of Sale does not alone constitute an offer to sell but is merely a Notice of Sale of Bonds as directed by the Commissioners Court of the County. The offer by the Commissioners Court of the County to sell the Bonds to the successful bidder is being made by means of the Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form. Prospective bidders are urged to examine the Preliminary Official Statement carefully to determine the investment quality of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE. The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction that so requires. The County agrees to cooperate, at the Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the County shall not be required to consent to a general consent to service of process in any jurisdiction.

MUNICIPAL BOND RATING. The County has made application to Moody's Investors Service, Inc. ("Moody's") for a contract rating on the Bonds. The results will be made available as soon as possible. The current, unenhanced rating of the County's outstanding indebtedness is "Aa2" by Moody's. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" in the Preliminary Official Statement.

OFFICIAL STATEMENT

By accepting the winning bid, the County agrees to the following representations and covenants to assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC").

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH THE RULE. The County will approve and authorize the accompanying Preliminary Official Statement and, for the limited purpose of complying with the Rule, will deem such Preliminary Official Statement to be "final" as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the County, the Preliminary Official Statement contains information, including financial information and operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the County concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Official Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The County will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of fifty (50) copies of the final Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Bonds. The County agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a designated electronic format (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The County consents to the distribution of such documents in a designated electronic format. Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The Purchaser will be responsible for providing information concerning the County and the Bonds to subsequent purchasers of the Bonds, and the County will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The County's obligation to supplement the Official Statement to correct key representations determined to be omitted or materially misleading, after the date of the Official Statement, shall terminate 25 days after the sale date.

The Commissioners Court will, in the Order authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

CONTINUING DISCLOSURE AGREEMENT. The County will agree in the Order to provide certain periodic information and notices of specified events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS. Due to administrative oversight, the County inadvertently failed to timely file its continuing disclosure information for fiscal year ending December 31, 2012 when due on June 30, 2013. On July 23, 2013 the County filed its reports as well as a notice regarding the late submission of annual disclosure information with the MSRB through EMMA.

The County has since instituted internal policies to prevent this noncompliance with the United States Securities and the Rule in the future. Not including the previously mentioned exceptions, during the past five years, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

AUTHENTICITY OF FINANCIAL INFORMATION. The financial data and other information contained in the Preliminary Official Statement have been obtained from the County's records, audit reports and other sources which are believed to be reliable. Both the Official Notice of Sale and the Preliminary Official Statement, including the distribution thereof, will be approved by the Commissioners Court of the County pursuant to the Order.

The Commissioners Court will approve the form and content of the Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement and will authorize the use thereof in its initial offering of the Bonds. On the date of the sale, the Commissioners Court will, in the Order authorizing the issuance of the Bonds, reconfirm its approval of the form and content of the Preliminary Official Statement, and any addenda, supplements, and amendments thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

COMAL COUNTY, TEXAS

/s/ Sherman Krause
County Judge

ATTEST:

/s/ Bobbie Koepp
County Clerk and Ex-Officio Clerk
of the Commissioners Court

May 8, 2018

OFFICIAL BID FORM

May 16, 2018

The Honorable County Judge and
Members of the Commissioners Court
Comal County, Texas
150 N. Seguin, Room 201
New Braunfels, Texas 78130

Honorable Judge and Members of the Commissioners Court:

Reference is made to your "Official Notice of Sale" and "Preliminary Official Statement" dated May 9, 2018, concerning \$15,000,000* COMAL COUNTY, TEXAS LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2018 (the "Bonds"), which are made a part hereof.

For your legally issued Bonds, as described in said "Official Notice of Sale" and "Preliminary Official Statement," we will pay a price of \$_____ (not less than 101.00% of the par value thereof), plus accrued interest, for Bonds maturing on February 1 in the year and in the amount and interest rate shown below:

<u>Principal Amount(\$)</u>	<u>Stated Maturity</u>	<u>Interest Rate(%)</u>	<u>Yield(%)</u>	<u>Principal Amount(\$)</u>	<u>Stated Maturity</u>	<u>Interest Rate(%)</u>	<u>Yield(%)</u>
550,000	2020	_____	_____	780,000	2027	_____	_____
750,000	2021	_____	_____	865,000	2028	_____	_____
750,000	2022	_____	_____	1,025,000	2029	_____	_____
750,000	2023	_____	_____	1,330,000	2030	_____	_____
750,000	2024	_____	_____	1,315,000	2031	_____	_____
750,000	2025	_____	_____	1,300,000	2032	_____	_____
800,000	2026	_____	_____	3,285,000	2033	_____	_____

As indicated below, Bidder has elected to bid one or more term bonds with each term bond consisting of two or more consecutive annual principal amounts accumulated from the maturity schedule above (subject to the County's ability to adjust the size of individual maturities) (the "Term Bonds"). For those years of the Bonds which have been combined into Term Bonds, the principal amounts shown in the maturity schedule above shall be redeemed in each such year except for the principal amounts shown in the year of the Term Bonds maturity date which shall be payable at maturity. The Term Bonds created are as follows:

<u>Term Bonds Maturity Date</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bonds(\$)*</u>	<u>Interest Rate(%)</u>	<u>Initial Yield(%)</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Our calculation of the interest cost in accordance with the above bid is:

GROSS INTEREST COST	\$_____
LESS: DOLLAR AMOUNT OF PREMIUM	_____
NET INTEREST COST	\$_____
EFFECTIVE INTEREST RATE	_____%

A Cashier's Check of Frost Bank, in the amount \$300,000.00, which represents our Good Faith Deposit (is attached hereto/has been made available to you prior to the opening of this bid) and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check is to be applied to the purchase price of the Bonds, or is to be returned as directed by us.

We agree to accept delivery of and make payment for the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bonds in immediately available funds in the Corporate Trust Division, ZB, National Association, dba Amegy Bank, Houston, Texas, not later than 10:00 A.M., Central Time, on May 24, 2018, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

* Preliminary, subject to change (see "THE BONDS - Adjustment of Principal Amount and Maturity Schedule for the Bonds" and "CONDITIONS OF THE SALE - Basis of Award").

The "Initial Bond" shall be registered in the name of _____, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

Additionally, a bona fide public offering of the Bonds will be made. At or before the initial delivery of the Bonds the undersigned agrees to furnish the County a certificate regarding the offering price of the Bonds in substantially the form and content attached to the Official Notice of Sale. It will be the obligation of the Purchaser of the Bonds to complete and file the DTC Eligibility Questionnaire.

The undersigned agrees to the provisions of the Official Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute and deliver to the County by the date of Initial Delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the County (as provided under "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - ESTABLISHMENT OF ISSUE PRICE").

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Federal law, it is a "company" which does not and will not "boycott Israel" and it is not on the Texas Comptroller's list concerning the same prepared and maintained thereby under applicable Texas law, all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE."

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the County is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, and if required, the undersigned will submit an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the County's financial advisor at dwesterman@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form, if required, will prohibit the County from providing final written award of the enclosed bid.

Respectfully submitted,

(Purchaser)

(Signature – Title)

(Telephone)

(The remainder of this page has been left blank intentionally.)

ACCEPTANCE CLAUSE

ACCEPTED this ____ day of May, 2018 by the authorized representative of the Commissioners Court of Comal County, Texas subject to and in accordance with the Official Notice of Sale.

Title: _____

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EXHIBIT I
\$15,000,000*
COMAL COUNTY, TEXAS
LIMITED TAX GENERAL OBLIGATION BONDS,
SERIES 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____
("_____"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of Comal County, Texas (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by _____ in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by _____ to purchase the Bonds.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 16, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

* Preliminary. Subject to change.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents _____ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

By: _____

Name: _____

Title: _____

Dated: _____

SCHEDULE A
EXPECTED OFFERING PRICES

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PRELIMINARY OFFICIAL STATEMENT
Dated May 8, 2018

NEW ISSUE - Book-Entry-Only

RATING: Moody's - Applied For
(See "OTHER PERTINENT
INFORMATION - Municipal Bond Rating")

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the County (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants described in the Order (defined below) and subject to the matters described herein under "TAX MATTERS", interest on the Bonds under existing statutes, regulations, published rulings and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under section 103 of the Code (defined herein) and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations (see "TAX MATTERS" herein).

\$15,000,000*
COMAL COUNTY, TEXAS
LIMITED TAX GENERAL OBLIGATION BONDS,
SERIES 2018

Dated Date: May 1, 2018

Due: February 1, as shown on page -ii- herein

The "Comal County, Texas Limited Tax General Obligation Bonds, Series 2018" (the "Bonds"), as shown on page -ii- of this Official Statement, are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapters 1251 and 1473, as amended, Texas Government Code, an election held in the County on November 3, 2015 (the "Election"), and an order authorizing the issuance of the Bonds and the annual levy of an ad valorem tax on the Bonds (the "Order") to be adopted by the Commissioners Court (the "Court") of the County on April 26, 2018. In the Order, the Court delegated to certain County officials the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sale terms of the Bonds. See "THE BONDS - Authority for Issuance" herein.

Interest on the Bonds will accrue from May 1, 2018 (the "Dated Date") as shown above, will be payable on February 1 and August 1 of each year, commencing February 1, 2019, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by ZB, National Association, dba Amegy Bank, Houston, Texas, as Paying Agent/Registrar, to Cede & Co., which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK - ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping a building or buildings, purchasing technology, and the purchase and improvement of the necessary sites therefor, that will be utilized for jail facilities, related administrative facilities, and Sheriff's Office facilities, and (ii) paying professional services associated with the costs of issuance of the Bonds. See "THE BONDS - Use of Proceeds" herein.

**SEE MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,
CUSIP NUMBERS, AND REDEMPTION PROVISIONS ON PAGE -ii-**

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof at a competitive sale (collectively, the "Purchaser") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, San Antonio, Texas. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about May 24, 2018.

^{*} Preliminary, subject to change.

MATURITY SCHEDULE

\$15,000,000⁽¹⁾
Comal County, Texas
Limited Tax General Obligation Bonds,
Series 2018

CUSIP NO. PREFIX: 199795⁽²⁾

<u>Maturity 2/1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP No. Suffix⁽²⁾</u>
2020	550,000			
2021	750,000			
2022	750,000			
2023	750,000			
2024	750,000			
2025	750,000			
2026	800,000			
2027	780,000			
2028	865,000			
2029	1,025,000			
2030	1,330,000			
2031	1,315,000			
2032	1,300,000			
2033	3,285,000			

(Accrued interest to be added from the Dated Date)

Redemption Provisions

The County reserves the right to redeem the Bonds maturing on and after February 1, 2027 in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2026 or any date thereafter, at the redemption price of par plus accrued interest. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Purchaser, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ CUSIP numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Purchaser, the County, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

COMAL COUNTY, TEXAS
199 Main Plaza
New Braunfels, Texas 78130

COMMISSIONERS COURT

<u>Name</u>	<u>Position</u>	<u>Year Elected</u>	<u>Term Expires December 31</u>
Sherman Krause	County Judge	2010	2018
Donna Eccleston	Commissioner, Precinct 1	2008	2020
Scott Haag	Commissioner, Precinct 2	2010	2018
Kevin Webb	Commissioner, Precinct 3	2012	2020
Jen Crownover	Commissioner, Precinct 4	2014	2018

COUNTY OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Years Served</u>
Jessie Rahe	County Auditor	1*
Renee L. Couch	County Treasurer	9
Bobbie Koepp	County Clerk	1
Cathy C. Talcott	Tax Assessor-Collector	7

* Appointed on August 11, 2017 to serve as County Auditor.

CONSULTANTS AND ADVISORS

SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor
Norton Rose Fulbright US LLP San Antonio, Texas	Bond Counsel
ABIP San Antonio, Texas	Certified Public Accountants

For Additional Information Contact:

Jessie Rahe, County Auditor
Comal County, Texas
150 N. Seguin, Room 201
New Braunfels, Texas 78130
Phone: (830) 221-1201
Fax: (830) 620-5592
E-mail: raheje@co.comal.tx.us

Duane L. Westerman, Senior Managing Director
SAMCO Capital Markets, Inc.
1020 N.E. Loop 410, Suite 640
San Antonio, Texas 78209
Phone: (210) 832-9760
Fax: (210) 832-9794
E-mail: dwesterman@samcocapital.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman, or other person has been authorized by the County to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Purchaser.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

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

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

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

None of the County, the Financial Advisor, or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by The Depository Trust Company.

The agreements of the County and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE ISSUER	Comal County, Texas (the "County") is a political subdivision of the State of Texas and is governed by the Commissioners Court, which is composed of four County Commissioners and the County Judge. The County's 2017 estimated population is 141,000. See "APPENDIX B - Comal County Economic and Demographic Characteristics" herein.
THE BONDS	\$15,000,000* Comal County, Texas Limited Tax General Obligation Bonds, Series 2018 (the "Bonds"). Interest on the Bonds will accrue from the Dated Date (identified below) and is payable initially on February 1, 2019 and semiannually on August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Bonds will mature on the dates, at the rates, and in the principal amounts indicated on page -ii- hereof.
DATED DATE	May 1, 2018.
REDEMPTION	The County reserves the right to redeem the Bonds maturing on and after February 1, 2027, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2026 or any date thereafter, at the redemption price of par plus accrued interest. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Purchaser, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. See "THE BONDS - Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the County payable, both as to principal and interest, from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the County. See "THE BONDS - Security for Payment" herein.
BOOK-ENTRY-ONLY SYSTEM	The County intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest.
PAYING AGENT/REGISTRAR	ZB, National Association, dba Amegy Bank, Houston, Texas.
TAX MATTERS	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes under existing law. See "TAX MATTERS" and "APPENDIX D - Form of Opinion of Bond Counsel" herein.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping a building or buildings, purchasing technology, and the purchase and improvement of the necessary sites therefor, that will be utilized for jail facilities, related administrative facilities, and Sheriff's Office facilities, and (ii) paying professional services associated with the costs of issuance of the Bonds.
RATING	The County has made application to Moody's Investors Service, Inc. ("Moody's") for a contract rating on the Bonds. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein.
FUTURE BOND ISSUES	This issue represents the last of the authorization approved by the voters at an election held on November 3, 2015 in the amount of \$76,000,000 for law enforcement facilities. The County may issue additional general obligation debt in 2018, including refunding bonds for debt service savings and certificates of obligation.
PAYMENT RECORD	The County has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about May 24, 2018.
Legality	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright LLP, San Antonio, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

relating to

\$15,000,000*

COMAL COUNTY, TEXAS LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2018

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, provides certain information in connection with the issuance by Comal County, Texas (the "County" or the "Issuer") of its Limited Tax General Obligation Bonds, Series 2018 (the "Bonds") in the aggregate principal amount of \$15,000,000.* Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement a description of the Bonds and certain other information about 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 upon request from the County Auditor, 150 N. Seguin, Room 201, New Braunfels, Texas 78130 and, during the offering period, from the County's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapters 1251 and 1473, as amended, Texas Government Code, an election held in the County on November 3, 2015 (the "Election"), and an order authorizing the issuance of the Bonds and the annual levy of an ad valorem tax on the Bonds (the "Order") adopted by the Commissioners Court (the "Court") of the County on April 26, 2018. In the Order, the Court delegated to certain County officials the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sale terms of the Bonds. See "THE BONDS - Authority for Issuance" herein.

General Description

The Bonds will be dated May 1, 2018 (the "Dated Date") and will be issued in principal denominations of \$5,000 or any integral multiple thereof. The Bonds bear interest from the Dated Date at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, payable on February 1, 2019 and each August 1 and February 1 thereafter, until stated maturity or prior redemption.

Interest on the Bonds is payable to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

* Preliminary, subject to change.

Security for Payment

The Bonds constitute direct obligations of the County payable, both as to principal and interest, from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the County.

Payment Record

The County has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, San Antonio, Texas. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated on or about May 24, 2018.

Future Issues

This issue represents the last of the authorization approved by the voters at an election held on November 3, 2015 in the amount of \$76,000,000 for law enforcement facilities. The County may issue additional general obligation debt in 2018, including potentially refunding bonds for debt service savings and certificates of obligation.

Use of Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of (i) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping a building or buildings, purchasing technology, and the purchase and improvement of the necessary sites therefor, that will be utilized for jail facilities, related administrative facilities, and Sheriff's Office facilities, and (ii) paying professional services associated with the costs of issuance of the Bonds.

Redemption Provisions of the Bonds

The Bonds stated to mature on and after February 1, 2027 are subject to optional redemption, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if less than all within a stated maturity by lot, selected by the Paying Agent/Registrar), on February 1, 2026 or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. Additionally, if two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Purchaser, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order.

Selection of Bonds for Redemption

The years of maturity of the Bonds called for redemption will be selected by the County. If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed will be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of \$5,000 within any stated maturity.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the County must cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each such registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE HOLDER. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been given as herein above provided, such Bond (or the principal amount thereof to be redeemed) will become due and payable and interest thereon will cease to accrue from and after the redemption date thereof, provided moneys sufficient for the payment of such Bond (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

All notices of redemption must (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, will become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, will cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, will be made at the designated

corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

The Paying Agent/Registrar and the County, so long as a Book-Entry-Only System is used for the Bonds will send any notice of redemption, notice of any proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owners, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the County will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with the rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the County or the Paying Agent/Registrar. None of the County, the Paying Agent/Registrar, or the Purchaser will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments of the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Defeasance

Any Bond will be deemed paid and will no longer be considered to be outstanding within the meaning of the Order when payment of the principal of and interest on such Bond to its stated maturity or redemption date will have been made or will have been provided by depositing with the Paying Agent/Registrar, or, in the case of a net defeasance, an authorized escrow agent, (1) cash in an amount sufficient to make such payment, (2) Government Obligations of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Obligations. The foregoing deposits shall be certified by an independent accounting firm, the County's Financial Advisor, the Paying Agent/Registrar, or such other qualified institution as specified in the Order.

The term "Government Obligations" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and 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, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and 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 (iv) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. County officials are authorized to limit these eligible securities as deemed necessary in connection with the sale of the Bonds. The County has additionally reserved the right in the Order, subject to satisfying the requires of (1) and (2) above, to substitute other Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the County money in excess of the amount required for the defeasance. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (i) through (iii) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the County has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the County to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding or unpaid, and the County shall have no further ability to amend the Order or redeem the Bonds prior to their stated maturity; provided, however, that the County has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the County (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The County may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the 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 owners of a majority in aggregate

principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, the redemption price therefor, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

Defaults and Remedies

If the County defaults in the payment of principal, interest, or redemption price on the Bonds 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 Bonds, if there is no other available remedy at law to compel performance of the Bonds 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, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the owners 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. Texas counties are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. 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 registered owners may not be able to bring such a suit against the County for breach of the Bonds or the Order covenants. 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 Bonds. 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 bondholders 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS FOR THE BONDS

Sources of Funds:

Principal Amount of the Bonds	\$ _____
[Net] Original Issue Reoffering Premium	
Accrued Interest	

Total Sources of Funds	\$ _____
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Uses of Funds:

Deposit to Construction Fund	\$ _____
Purchaser's Discount	
Costs of Issuance	
Deposit to Bond Fund (capitalized interest)	
Deposit to Bond Fund (accrued interest and contingency)	

Total Uses of Funds	\$ _____
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REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is ZB, National Association, dba Amegy Bank, Houston, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Bonds are not held in the Book-Entry-Only System, interest on the Bonds will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last

known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER, AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Bonds will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The County covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the County retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the County, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the County must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the County will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the registered owner entitled to a payment of interest on a Bond is the fifteenth (15th) day of the month next preceding each interest payment date.

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

Special Record Date for Interest Payment

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) must be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System is discontinued, printed Bonds will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer.

Limitation on Transferability of Bonds Called for Redemption

Neither the County nor the Paying Agent/Registrar will be required to transfer or exchange any Bonds (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Bonds or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.)

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for

a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the County and the Paying Agent/Registrar evidence satisfactory to establish to the County and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the County and the Paying Agent/Registrar with Bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest 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 a S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect

to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Financial Advisors, or the Purchaser take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

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

Effect of Termination of Book-Entry-Only System

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

AD VALOREM TAX INFORMATION

Ad Valorem Taxation

The Bonds are payable primarily from an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property within the County. Reference is hereby made to Title I, Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to taxation, property exempt or which may be exempted from taxation, the appraisal of property for taxation purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. Among other provisions, the Property Tax Code contains the following provisions with respect to the assessment of property and the levy and collection of ad valorem taxes:

- (1) a single appraisal district in each county to appraise property for taxation purposes for all taxing units located wholly or partly within the county;
- (2) excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, all property is to be appraised on the basis of 100% of its market value and the assessment of property on the basis of a percentage of its appraised value is prohibited;

- (3) requires an “effective tax rate” and “rollback tax rate” to be annually calculated and publicized and necessitates the holding of two public hearings when the tax rate proposed to be adopted exceeds the lower of the rollback tax rate or the effective tax rate; if the adopted tax rate exceeds the rollback tax rate, a referendum election may be required to be held on limiting the tax rate for the County for the current year to the rollback tax rate; and
- (4) the value of property is generally assessed for purposes of taxation on January 1 of each year and taxes levied each year generally become due and payable on October 1 and become delinquent on February 1 of the following year in which the taxes are imposed.

Taxable Property, Exemptions and Agricultural Exclusions

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant either or both of the following: (1) an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of up to 20% of the market value of residence homesteads. The minimum exemption under clause (2) is \$5,000. In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes.

The surviving spouse of an individual who qualifies for the exemption listed in (1) above 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.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that 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. Furthermore, effective January 1, 2012, subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. On November 3, 2015, Texas voters approved an amendment to this law to provide for the exemption from ad valorem taxation for those surviving spouses of veterans who died before 2011, of which such amendment applies for the tax year beginning on or after January 1, 2016.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at less than fair market value to the veteran by a charitable organization.

Also, the surviving spouse of a member of the armed forces who is killed in action is entitled to property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Following the approval by the voters at a November 7, 2017 election (effective January 1, 2018), the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of the death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

For property to be exempt from taxation, a claim for exemption must be filed, except with respect to property owned by the State or its political subdivisions, property exempt by federal law, household goods and personal effects, family supplies, farm products, implements of farming and ranching, and automobiles.

Under Article VIII and State law, the governing body of a county may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in

the year such residence qualified for such exemption. On the receipt of a petition signed by five percent of the registered voters of the County, the County must call an election to determine by majority vote whether to establish such a tax limitation. Such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

Non-business 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 non-business property are exempt from ad valorem taxation.

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

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing unit rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created. The County took official action on December 29, 2011 to continue its taxation of goods-in-transit for the 2012 tax year and beyond.

Article VIII, Section 1-l, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Tax Rate and Funded Debt Limitations

The County must annually calculate and publicize its "effective tax rate" and "rollback tax rate." By the later of September 30 or the 60th day after the County receives the certified appraisal roll the Commissioners Court adopts a tax rate per \$100 taxable value for the current year. Under current law, such annual tax rate is required to be adopted before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the County, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, the Commissioners Court may not adopt a tax rate that exceeds the lower of the rollback rate or of the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The tax rate consists of two components: (1) a rate for funding of operations, and (2) a rate for debt service. 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 (adjusted) divided by the anticipated tax collection rate.

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

The Property Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes if approved by a majority of the voters in a local option election.

Limited Tax Funded Debt Payable From Proceeds of \$0.80 Constitutional Tax Rate: Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of the County's General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants, tax notes and certificates of obligation issued against such funds. By administrative policy, the Attorney General of Texas will permit allocation of \$0.40 of the constitutional \$0.80 tax rate for the payment of the debt service requirements on the County's indebtedness payable from such tax. The Bonds are limited tax obligations payable from the County's \$0.80 constitutionally limited tax rate.

Limited tax obligations of counties issued pursuant to authority granted under Section 1301.003, Texas Government Code, as amended, does limit the amount of such debt issued for those certain purposes as follows:

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

Unlimited Tax Road Bonds: Article III, Section 52, Texas Constitution, provides that such debt may not exceed 25% of the County's assessed valuation of real estate. The County has no outstanding unlimited tax road bond debt.

Road Maintenance: As imposed by statute (Section 256.052, as amended, Texas Transportation Code) \$0.15 per \$100 assessed valuation, no part of which may be used for debt service.

Farm-to-Market and/or Flood Control: As imposed by statute (Section 256.054, as amended, Texas Transportation Code, Article VIII, Section 1-a, Texas Constitution), \$0.30 per \$100 assessed valuation after exemption of homesteads up to \$3,000; no allocation prescribed by statute between debt service and maintenance. All or part may be used for either purpose.

PROPERTY TAXES

Property Tax Code and County-Wide Appraisal District

The appraisal district created for the County (the "Comal Appraisal District" or the "Appraisal District") is responsible for the appraisal of all taxable property and the equalization of appraised values of property of all taxing units in the Appraisal District, including the County. The Appraisal District is governed by a Board of Directors elected by the governing bodies of certain taxing units in the Appraisal District. The Board of Directors has appointed a Chief Appraiser to act as Chief Administrator of the Appraisal District. Appraisal districts have a minimum of 5 members of the Board of Directors and may have up to 13 members of the Board of Directors. The Comal Appraisal District presently has 6 members of the Board of Directors.

The Property Tax Code: (1) requires that all taxing units assess taxable property at 100% of its appraised value, subject to the limitations hereafter described; (2) allows the valuation of certain eligible farm, ranch, and timberlands on a "productive capacity" basis; (3) requires that the appraised values, subject to the limitations hereafter described of real property within an appraisal district be reviewed at least every three years; (4) provides for notices of any increases in appraised values to property owners before meetings of an appraisal review board; (5) grants rights of administrative and judicial appeal for taxpayers challenging property valuations established by an appraisal district or a county; (6) requires taxing jurisdictions to hold two public hearings and publish newspaper advertisements before adopting a tax rate that exceeds the rollback tax or the effective tax rate, whichever is lower in accordance with the Property Tax Code; and (7) permits taxpayers by referendum in the event the tax rate exceeds the rollback tax rate to reduce the tax rate to the rollback tax rate. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The Texas Constitution permits local governments the option of granting all individuals a homestead exemption of up to 20% of market value, with a minimum exemption of \$5,000. The Commissioners Court has never granted such exemption and it cannot be predicted whether the Commissioners Court will exercise any of its options thereunder in future years.

Tax Increment Reinvestment Zones/Tax Abatement Reinvestment Zone/Tax Phase-In Agreements/Economic Development Grants and Loans

The County or a city may create one or more tax increment financing reinvestment zones within the County ("TIRZ"), under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Under prior law, taxes of overlapping taxing units levied against the value of property in the TIRZ in excess of the "frozen values" were captured and collected by the TIRZ to pay or finance the costs of certain public improvements in the TIRZ. Under current law, other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the County against the values of real property in a TIRZ created by the County or a city in excess of the "frozen" value are not available for general County use but are restricted to paying or financing "project costs" within the TIRZ.

The County currently has one TIRZ project. It is the Towncenter at Creekside development located at the Intersection of I-35 and FM 306 which consists of 400+ acres of mixed use development.

Texas statutes permit the creation of tax abatement reinvestment zones to attract new commercial investment, to expand existing facilities, and to contribute to retaining or expanding primary employment within areas of economic development interests. The designation of a zone should contribute to the County's economic development and guidelines and criteria for governing tax phase-in agreements must be adopted at the discretion of Commissioners Court. Once a reinvestment zone has been designated, the County may offer a tax phase-in agreement to owners or lessees of taxable property within the reinvestment zone on a case-by-case basis. Areas designated as an enterprise zone under the Texas Enterprise Zone Act also constitute designation as a reinvestment zone. Tax phase-in agreements are contracts between the County and an owner or lessee of property wherein the owner or lessee makes an amount of new capital investment and jobs and the County abates all or a portion of ad valorem taxes under its authority on the new eligible real and personal property improvements within a reinvestment zone for a specific period of time. Tax phase-in agreements may abate up to 100% on real and/or personal property improvement values for up to 10 years.

The County currently does not have any property tax abatements.

Counties are also authorized, pursuant to Chapter 381, Texas Local Government Code ("Chapter 381") 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 381, the County may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County. The County has one Chapter 381 program in effect relating to the WestPointe Village development located at Highway 46 and Loop 337. The agreement is for a 25 year period ending in 2033.

Exemptions from Taxes

The Texas Constitution and the Property Tax Code grant various exemptions from taxation, if properly claimed, including exemptions for public property, residence homestead, tangible personal property not producing income, farm products and implements of farming or ranching, cemeteries, property owned and used exclusively by certain charitable organizations, and, at the option of the taxing jurisdiction, freepoint goods. The County took official action on December 29, 2011 to continue its taxation of goods-in-transit for the 2012 tax year and beyond.

County and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the County, may appeal orders of the Appraisal Review Board by filing a notice of appeal with that Board and a petition for review in district court. In such event, the property value in question may be determined by the courts or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The County is responsible for the collection of its taxes, but it may assign such functions to another governmental entity. By the later of September 30th or 60 days after the certified appraisal roll is delivered to the taxing unit, the rate of

taxation is set by the Commissioners Court based upon the valuation of property within the County as of January 1. Ad valorem taxes are due on receipt of a tax bill and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Split payments are allowed with the first half due by November 30 and the second half of the taxes due by June 30. Unless the split payment option is exercised by the taxpayer, taxes become delinquent after January 31 of the following year. On February 1, the unpaid taxes have a penalty and interest charge of 7%. Taxes delinquent from March 1 through June 30 have an additional penalty and interest charge of 2% per month, for a total penalty and interest charge of 18%. Taxes delinquent on July 1 have a total penalty and interest charge of 18%.

Unpaid taxes after July 31 accrue an additional interest charge of 1% per month until paid. State law allows employment of outside legal counsel to collect delinquent taxes. When this is done, the County may, upon giving proper notice, impose an additional penalty up to 20% to the taxes, penalty, and interest delinquent as of July 1. The County has elected this option and presently uses outside legal counsel to collect delinquent taxes.

Tax Liens

Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County may join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the County to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Also, provisions of the Property Tax Code require the abatement of any foreclosure or collection suit for delinquent taxes against any individual who is 65 years of age or older, owns and occupies as a residential homestead the property on which the taxes are delinquent, and requests the abatement in writing at the appropriate time.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the County

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") and the Resolution Trust Corporation ("RTC") when the FDIC/RTC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC/RTC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC/RTC shall be subject to foreclosure or sale without the consent of the FDIC/RTC and no involuntary liens shall attach to such property, (ii) the FDIC or RTC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain federal court decisions have held that the FDIC/RTC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC/RTC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract and research fees exist against the real property for the failure of the FDIC/RTC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC/RTC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the County, and to the extent that the FDIC/RTC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC/RTC in the County, and may prevent the collection of penalties and interest on such taxes.

INVESTMENT DATA

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

Legal Investments

Under the Texas Public Funds Investment Act (the "Act"), the County is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or

backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the national Credit Union Share Insurance Fund or its successors or otherwise meeting the requirements of the Act, (8) certificates of deposit and share certificates issued by a state or national bank domiciled in the State of Texas, a savings bank domiciled in the State of Texas, or a state or federal credit union domiciled in the State of Texas, 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, or are secured as to principal by obligations described in clauses (1) through (7), or in any other manner and amount provided by law for County deposits, (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) and require the security being purchased by the County to be 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 or a financial institution doing business in the State of Texas, (10) securities lending programs if (a) the securities loaned under the program are 100% collateralized, including accrued income, (b) a loan made under the program allows for termination at any time, (c) a loan made under the program is either secured by (i) obligations that are described in clauses (1) through (7) above, (ii) 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 (iii) cash invested in obligations described in clauses (1) through (8) above and (12) through (14) or an authorized investment pool; (a) 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, (b) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (c) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less from the date of issuance (and will be, in accordance with their terms, liquidated in full at maturity, are eligible for collateral for borrowing from a Federal Reserve Bank, and are accepted by a State or Federal bank), if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by either (i) two nationally recognized credit rating agencies or (ii) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with Federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual fund registered with the United States 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. Texas law also permits the County to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in Chapter 2256, Texas Government Code, as amended.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The County 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 includes a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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, County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the County shall submit an investment report detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest County funds without express written authority from the Court.

Additional Provisions

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

Current Investments⁽¹⁾

As of April 1, 2018 the following percentages of the County's invested funds were invested in the following categories of investments:

Description	Amount	Percentage	Average Maturity (in years)
U.S. Government Securities	\$ 21,485,000	12.89%	.8206
Bank Certificates of Deposit	7,392,000	4.43%	1.2478
Money Market Funds	<u>137,845,551</u>	<u>82.68%</u>	Daily liquidity
Total	\$166,722,551	100.00%	

⁽¹⁾ Unaudited.

As of such date, the market value of such investments (as determined by the County by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. 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.

LEGAL MATTERS

The County will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the County, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the County and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in connection with matters unrelated to the Bonds, Bond Counsel only represents the County in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the caption "THE BONDS" (other than the information under the subcaptions "Payment Record," "Delivery," "Future Issues," and "Defaults and Remedies," as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (other than the information under the subcaption "Compliance with Prior Undertakings," as to which no opinion is expressed), and the subcaption "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. 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 Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds 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 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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.

NO-LITIGATION

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

At the time of the initial delivery of the Bonds, the County will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Opinion

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof 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. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. The form of Bond Counsel's opinion appears in APPENDIX D hereto.

For taxable years that began before January 1, 2018, interest on the Bonds 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. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

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

Except as described above, Bond Counsel will express 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 Bonds. 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 Issuer 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 municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the County as the "taxpayer," and the owners of the Bonds 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 Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds 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 Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain bonds may be less than the amount payable on such bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond 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 his taxable year.

However, such accrued interest may be taken into account in determining a corporation's alternative minimum tax 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, property and casualty insurance companies, life insurance companies, 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.

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

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

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain bonds may be greater than the stated redemption price on such bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond 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 with respect to the Premium Bond. 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 Bond. 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 Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

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

information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB".

Annual Reports

The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the County includes all quantitative financial information and operating data of the general type included in this Official Statement. The information is of the type included in APPENDIX A, exclusive of the table reflecting "Consolidated Overlapping Gross Funded Debt Payable from Ad Valorem Taxes," and in APPENDIX C. The County will update and provide this information within six months after the end of each of its fiscal year ending in and after 2017.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County's current fiscal year end is December 31. Accordingly, it must provide updated information by the last day of June in each year, unless it changes its fiscal year. If the County changes its fiscal year, it will file notice of such change with the MSRB.

Notice of Certain Events

The County will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the 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 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 Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement or liquidity enhancement. In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The County will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the 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.

Availability of Information from MSRB

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

With respect to debt of the County issued prior to the EMMA Effective Date, the County remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been

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

Limitations and Amendments

The County has agreed to update information and to provide notices of 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 Bonds 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 or Beneficial Owners of Bonds 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 (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The County may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the County amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

Due to administrative oversight, the County inadvertently failed to timely file its continuing disclosure information for fiscal year ending December 31, 2012 when due on June 30, 2013. On July 23, 2013 the County filed its reports as well as a notice regarding the late submission of annual disclosure information with the MSRB through EMMA.

The County has since instituted internal policies to prevent this noncompliance with the United States Securities and Exchange Commission and the Rule in the future. Not including the previously mentioned exceptions, during the past five years, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources that 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.

Registration and Qualification of Bonds for Sale

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

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The County agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the County shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

Municipal Bond Rating

The County has made application to Moody's Investors Service, Inc. ("Moody's") for a contract rating on the Bonds. The County's unenhanced, underlying municipal bond rating is "Aa2."

The rating of the Bonds by Moody's reflects only the view of said company at the time the rating is given, and the County makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the County for the investment of bond proceeds or other funds of the County upon the request of the County.

The Financial Advisor 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 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 bids for the Bonds, the County accepted the bid of _____ (the "Purchaser") to purchase the Bonds at the interest rates shown on page ii of this Official Statement at a price of \$_____, which is inclusive of a Purchaser's discount of \$_____, plus accrued interest on the Bonds from the Dated Date through their date of initial delivery. The County can give no assurance that any trading market will be developed for the Bonds after their sale by the County to the Purchaser. The County has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Bond, the Purchaser will be furnished a certificate, executed by proper officials of the County, acting in their official capacities, to the effect that to the best of their knowledge and belief:

(a) the descriptions and statements pertaining to the County contained in its Official Statement, and any addenda, supplement, or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds 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, such 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 the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the County, and their activities contained in such 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 December 31, 2015, the date of the last financial statements of the County appearing in the Official Statement.

Forward Looking Statements

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

The forward-looking statements 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 would prove to be accurate.

Information from External Sources

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

Authorization of the Official Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County.

This Official Statement will be approved by the Commissioners Court of the County for distribution in accordance with provisions of the SEC's Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

The Order will approve 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 Bonds by the Purchaser.

COMAL COUNTY, TEXAS

/s/

County Judge

ATTEST:

/s/

County Clerk

APPENDIX A

**Selected Financial Information
of the County**

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GENERAL PURPOSE, GENERAL OBLIGATION BONDS AND CERTIFICATES

2017 Appraised Valuation of County @ 100%		\$21,205,538,306
Less Local Exemptions:		
100% Disabled or Unemployable Veterans Homestead	\$ 401,900,825	
Local Over 65 or Disabled	624,567,790	
Local 20% Exemption	1,911,099,530	
Veterans Exemption	32,140,032	
Pollution Control Loss	73,979,133	
Productivity Value Loss	1,755,011,882	
Miscellaneous	182,648	
Freeport ⁽¹⁾	173,418,959	
10% Homestead Cap Adjustment	<u>122,118,809</u>	<u>5,094,419,608 ⁽²⁾</u>
2017 Taxable Assessed Valuation		\$16,111,118,698

Source: Comal Appraisal District 2017 Grand Totals as of March 2018.

⁽¹⁾ Though it grants a freeport exemption, the County, by resolution adopted on December 29, 2011, elected to continue to tax goods-in-transit for the 2012 year and beyond.

⁽²⁾ Does not include Farm-to-Market and Flood Control.

County's Funded Debt Payable from Ad Valorem Taxes: (unaudited as of 4-01-2018)

Combination Tax and Revenue Certificates of Obligation, Series 2006 (self-supporting)	\$ 1,855,000 ⁽¹⁾
Combination Limited Tax and Revenue Bonds, Series 2009	5,360,000 ⁽²⁾
Combination Limited Tax and Revenue Bonds, Series 2012	9,900,000 ⁽²⁾
General Obligation Refunding Bonds, Series 2012 (self-supporting)	2,685,000 ⁽³⁾
Limited Tax Notes, Series 2014	2,365,000
Tax Notes, Series 2015	1,955,000
General Obligation Refunding Bonds, Series 2015	13,235,000
Combination Tax and Revenue Certificates of Obligation, Series 2016	11,000,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 (self-supporting)	7,000,000 ⁽¹⁾
Limited Tax General Obligation Bonds, Series 2017	60,095,000
Combination Tax and Revenue Certificates of Obligation, Series 2017A	21,455,000
Limited Tax General Obligation Bonds, Series 2018 (the "Bonds")	<u>15,000,000 ⁽⁴⁾</u>
Total Debt Outstanding	151,905,000
Less: Self-supporting Debt	11,540,000
Total Funded Debt Outstanding	140,365,000
Less: Interest and Sinking Fund Balance (as of 4-1-2018)	
Net Funded Debt Outstanding (as of 4-1-2018)	
Ratio Total Funded Debt to 2017 Taxable Assessed Valuation (\$16,111,118,698)	0.87%

⁽¹⁾ This issue of Certificates of Obligation is primarily payable by an Interlocal Agreement between the County and the Bulverde Area Rural Library District pledging certain revenues from this District's sales tax collections. Accordingly, the County does not anticipate the levy of any of the County's ad valorem taxes to pay this indebtedness.

⁽²⁾ Additional security provided by the County's pledge of the pass-through toll revenue to be received from the Texas Department of Transportation.

⁽³⁾ This issue of Certificates of Obligation is primarily payable by an Interlocal Agreement between the County and the Canyon Lake Library District pledging certain revenues from this District's sales tax collections. Accordingly, the County does not anticipate the levy of any of the County's ad valorem taxes to pay this indebtedness.

⁽⁴⁾ Preliminary, subject to change.

2010 U.S. Census Bureau Population - 108,472
2017 U.S. Census Bureau Population Estimate - 141,000
Per Capita 2017 Taxable Assessed Valuation - \$114,263.25
Per Capita Total Funded Debt - \$995.50*
Area - 574.5 Square Miles (367,680 acres)
Total Funded Debt Per Acre - \$381.76*

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

At an election held on November 3, 2015 the voters of the County approved a bond election in the amount of \$76,000,000 for law enforcement facilities. After the issuance of the Bonds, the County will have no voter authorized but unissued ad valorem tax-supported debt. The County may issue refunding bonds for debt service savings and certificates of obligation.

* Preliminary, subject to change.

NON-FUNDED DEBT

As of December 1, 2017, the District has no outstanding non-funded debt.

Source: The County

TAX RATES AND COLLECTIONS

Fiscal Year	Assessed Valuation	Tax Rate ⁽¹⁾	Percent Total Tax Collections (unaudited)
2007	\$ 7,441,283,890	\$0.2651	99.94%
2008	8,777,466,633	0.2629	99.91%
2008	10,255,052,473	0.2530	99.88%
2010	10,489,556,436	0.2629	99.91%
2011	10,223,652,635	0.2890	99.85%
2012	10,057,936,539	0.3055	99.75%
2013	10,425,756,107	0.3143	99.67%
2014	10,994,186,447	0.3143	99.69%
2015	14,048,656,443	0.3093	99.60%
2016	14,665,273,201	0.3429	99.39%
2017	16,111,118,698	0.2929	55.48% ⁽²⁾

⁽¹⁾ Does not include Farm-to-Market and Flood Control.

⁽²⁾ Still in process of collection at fiscal year-end.

AD VALOREM TAX RATE DISTRIBUTION

	Tax Year				
	2017	2016	2015	2014	2013
Operating Funds	\$0.2421	\$0.2450	\$0.2394	\$0.2567	\$0.2620
Interest & Sinking Fund	<u>0.0658</u>	<u>0.0479</u>	<u>0.0534</u>	<u>0.0526</u>	<u>0.0523</u>
Total Tax Rate *	\$0.3079	\$0.2929	\$0.2928	\$0.3093	\$0.3143
Farm-to-Market & Flood Control	\$0.0501	\$0.0501	\$0.0501	\$0.0411	\$0.0361

* Limited to \$0.80 per \$100 taxable assessed valuation.

TEN LARGEST TAXPAYERS*

Name	Type of Property	2017 Net Taxable Assessed Valuation	% of Total 2017 Assessed Valuation
TXI Operations LP Hunter Cement	Cement Producer	\$ 256,372,080	1.59%
Cemex USA A Cons Materials Inc.	Cement Producer	244,740,150	1.52%
Walmart Real Estate Business Trust	Retail Merchandise Distributor	154,485,797	0.96%
Caterpillar Inc	Construction Equipment	142,765,734	0.89%
Sysco Central Texas	Food Service Distribution	105,389,350	0.65%
Central Texas Corridor Hospital Co LLC	Hospital	100,067,210	0.62%
AL 95 Creekside Town Center LP	Commercial	86,970,660	0.54%
HEB Grocery Co. LP	Grocery Store	64,810,631	0.40%
Rush Truck Leasing	Commercial Truck Leasing	63,524,470	0.39%
Republic Beverage Company	Wholesale Distributor	50,525,410	0.31%
TOTAL		\$1,269,651,492	7.88 %

* Comal County Tax Assessor Collector.

TAXPAYERS BY CLASSIFICATION

<u>Classification</u>	<u>2017 Assessed Valuation</u>	<u>Percent Of Total</u>	<u>2016 Assessed Valuation</u>	<u>Percent Of Total</u>	<u>2015 Assessed Valuation</u>	<u>Percent Of Total</u>
Single Family Residential	\$12,385,465,724	58.41%	\$11,047,110,257	57.45%	\$10,074,551,85	56.87%
Multi-Family Residential	555,843,557	2.62%	495,241,814	2.58%	410,768,023	2.32%
Vacant - Platted Lots/Tracts	983,235,886	4.64%	931,818,948	4.85%	895,432,465	5.05%
Acreage (Land Only)	1,777,523,088	8.38%	1,641,431,025	8.54%	1,603,254,798	9.05%
Farm and Ranch Improvements	710,558,987	3.35%	661,207,019	3.44%	635,655,565	3.59%
Commercial	2,040,295,326	9.62%	1,882,988,282	9.79%	1,743,653,738	9.84%
Industrial	847,060,284	3.99%	664,970,045	3.46%	678,879,581	3.83%
Oil and Gas	570	0.00%	570	0.00%	570	0.00%
Utilities	169,412,624	0.80%	164,370,250	0.85%	144,316,820	0.81%
Commercial Personal	904,182,837	4.26%	945,445,630	4.91%	781,604,415	4.41%
Industrial Personal	620,908,550	2.93%	599,038,438	3.12%	569,679,438	3.22%
Mobile homes	45,283,400	0.21%	45,976,401	0.24%	46,339,953	0.26%
Residential Inventory	113,241,103	0.53%	98,770,540	0.51%	84,284,416	0.48%
Special Inventory	<u>52,526,370</u>	<u>0.26%</u>	<u>50,500,190</u>	<u>0.26%</u>	<u>47,805,520</u>	<u>0.27%</u>
Total Valuation	\$21,205,538,306		\$19,228,869,409		\$17,716,227,15	
Less Exemptions & Exclusions	<u>5,094,419,608</u>	100.00%	<u>4,563,596,208</u>	100.00%		100.00%
Net Taxable Assessed Valuation	<u>\$16,111,118,698</u>		<u>\$14,665,273,201</u>		<u>\$13,444,165,06</u>	

Source: Comal Appraisal District Certified Totals.

CONSOLIDATED OVERLAPPING GROSS FUNDED DEBT PAYABLE FROM AD VALOREM TAXES

Expenditures of the various taxing bodies within the territory of the County are paid out of ad valorem taxes levied by these taxing bodies on properties within the County. These political taxing bodies are independent of the County and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem 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 below may have issued additional debt since the date stated in the table, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the County's estimated share of overlapping gross debt of these various taxing bodies:

<u>Taxing Body</u>	<u>Gross Debt</u>		<u>Percent Overlapping</u>	<u>Amount</u>
	<u>Amount</u>	<u>As of</u>		<u>Overlapping</u>
Boerne ISD	\$327,109,650	4-1-2018	1.58%	\$ 5,168,332
Comal ISD	767,165,000	4-1-2018	79.30%	608,361,845
Fair Oaks Ranch, City of	5,755,000	4-1-2018	11.59%	667,005
Garden Ridge, City of	14,560,000	4-1-2018	100.00%	14,560,000
New Braunfels ISD	168,530,167	4-1-2018	81.27%	136,964,467
New Braunfels, City of	146,230,000	4-1-2018	86.45%	126,415,835
Schertz, City of	71,450,000	4-1-2018	18.29%	13,068,205
Selma, City of	18,200,000	4-1-2018	2.81%	511,420
Wimberly ISD	61,728,695	4-1-2018	0.05%	<u>30,864</u>
Total Estimated Overlapping Debt				\$ 905,747,973
Comal County (includes the Bonds)	140,365,000 *	4-1-2018	100.00%	<u>140,365,000 *</u>
Total Direct and Estimated Overlapping Debt				\$1,046,112,973
Ratio to 2017 Assessed Valuation (\$16,111,118,698)				6.49%

* Preliminary, subject to change. Amount shown excludes self-supporting indebtedness.

CONSOLIDATED DEBT SERVICE REQUIREMENTS

FISCAL YEAR 30-Sept	CURRENT OUTSTANDING DEBT SERVICE REQUIREMENTS ⁽²⁾	PLUS: THE BONDS AT ASSUMED RATES ⁽¹⁾				GRAND TOTAL ALL DEBT SERVICE ⁽¹⁾
		PRINCIPAL DUE 2/1	INTEREST DUE 2/1	INTEREST DUE 8/1	TOTAL	
2018	\$ 14,624,235.00					\$ 14,624,235.00
2019	14,582,988.25		\$ 336,875.00	\$ 288,750.00	\$ 625,625.00	15,208,613.25
2020	11,372,231.00	\$ 550,000	288,750.00	278,162.50	1,116,912.50	12,489,143.50
2021	11,432,344.75	750,000	278,162.50	263,725.00	1,291,887.50	12,724,232.25
2022	9,323,703.50	750,000	263,725.00	249,287.50	1,263,012.50	10,586,716.00
2023	9,535,768.75	750,000	249,287.50	234,850.00	1,234,137.50	10,769,906.25
2024	9,763,768.75	750,000	234,850.00	220,412.50	1,205,262.50	10,969,031.25
2025	9,983,456.25	750,000	220,412.50	205,975.00	1,176,387.50	11,159,843.75
2026	10,195,831.25	800,000	205,975.00	190,575.00	1,196,550.00	11,392,381.25
2027	10,433,668.75	780,000	190,575.00	175,560.00	1,146,135.00	11,579,803.75
2028	10,381,981.25	865,000	175,560.00	158,908.75	1,199,468.75	11,581,450.00
2029	10,255,906.25	1,025,000	158,908.75	139,177.50	1,323,086.25	11,578,992.50
2030	9,998,331.25	1,330,000	139,177.50	113,575.00	1,582,752.50	11,581,083.75
2031	10,066,121.88	1,315,000	113,575.00	88,261.25	1,516,836.25	11,582,958.13
2032	10,133,906.25	1,300,000	88,261.25	63,236.25	1,451,497.50	11,585,403.75
2033		3,285,000	63,236.25	-	3,348,236.25	3,348,236.25
	\$162,084,243.13	\$15,000,000	\$3,007,331.25	\$2,670,456.25	\$20,677,787.50	\$182,762,030.63

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ The outstanding debt service does not include the self-supporting debt of the Bulverde Library or the Canyon Lake Library.

2017/2018 PRO FORMA INTEREST & SINKING FUND MANAGEMENT INDEX

Estimated Interest & Sinking Fund Balance at 12-31-2017	\$15,840,848
Estimated Proceeds from \$0.0658 Tax Using 2017 Taxable Assessed Valuation of \$16,111,118,698 at 95% Collected	10,071,060
Estimated Other Income	<u>4,250,000</u>
Total Available Funds for 2017/2018 Debt Service	30,161,908
2017/2018 Debt Service Requirement	<u>14,624,235</u>
Estimated Interest and Sinking Fund Balance at 12-31-2018	\$15,537,673

THE COUNTY

Administration of the County

The County is divided into a number of different departments, each with its own legally constituted duties as prescribed by the Constitution of 1876 and/or legislative acts and each headed by either an elected or appointed official. The State court system is intertwined in the operation of the County as an entity.

The County Judge and the four County Commissioners who comprise the Commissioners Court, the County Tax Assessor/Collector, and the County Treasurer, all of whom are elected officials, and the County Auditor have responsibility for the financial administration of the County.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted to it by the legislature and powers necessarily implied from such grant. The functions of the Commissioners Court are to establish a courthouse and jail, appoint numerous minor officials, fill vacancies in certain county offices, let contracts in the County, build roads and bridges, administer the County's welfare services, perform numerous duties in regard to elections, set the County tax rate, issue bonds, adopt the County budget and serve as a board of equalization for tax assessments.

The County Judge is the presiding officer of the Commissioners Court and is elected for a four-year term by the voters of the County. Each Commissioner represents one of four Commissioner Precincts into which the County is divided and is elected by the voters of such precinct for a four-year term.

The County Tax Assessor-Collector is elected by the voters of the County at large and is responsible for assessing the property within the County and for collecting ad valorem taxes, certain State and County fees, and other taxes.

The County Treasurer is elected by the voters of the County at large and the duties are prescribed by the Legislature. The Treasurer's duties include receiving and investing all money collected by the County. However, the funds can be withdrawn only upon the Treasurer's signature and the countersignature of the County Auditor. The function of the office is essential as a feature of internal control in the custody of the bank.

The County Auditor is appointed by the District Judges. The Auditor serves as the chief accounting officer of the County and assists the County Judge in all areas of County finance. The County Auditor has general oversight of all financial records of the County. The County Auditor countersigns all warrants written and checks written by the County Treasurer.

The Criminal District Attorney, in addition to his responsibility to prosecute all felonies and misdemeanors, is responsible for representing the County in all legal matters, advising County Officials, and representing the County and State in all courts except when the County is a defendant in civil litigation.

Budgeting and Capital Planning

The County Judge is, by statute, the budget officer and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Auditor and the County Judge. The County Auditor then prepares an estimate of revenues and a compilation of the requested departmental expenditures and submits it to the Commissioners Court.

The Commissioners Court invites a representative of each department to appear for a hearing concerning the department's budget request. Before finalizing the budget, Commissioners Court may increase or decrease the budget amounts requested by the various departments. The finalized budget cannot exceed the County Auditor's projected revenues and available cash.

When the budget has been approved by the Commissioners Court, the County Auditor is responsible for monitoring the expenditures of the various departments to prevent expenditures from exceeding budgeted appropriations as well as keeping the members of the Commissioners Court advised of the condition of the various appropriation accounts. Purchase orders and contracts are not valid until the County Auditor certifies that money is, or will be, available to make payment for same.

Each fund is budgeted on an annual basis with no carry-overs into the next year. If a fund has or shows a balance at the end of the year, the balance is included in making computation of available cash for the next year's budget. Trust and Agency Funds are not budgeted for.

County Services

As a subdivision of the State of Texas, the County provides only those services allowed by statute. This includes judicial, detention facilities, public safety, highways, flood control, health and limited social services, public improvements and general administrative services.

Employees

The number of employees of the County in each of the years 2012 through 2017 is shown as follows:

Fiscal Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government	93	92	93	94	94	96
Judicial System	105	103	108	110	114	118
Public Safety	168	165	168	179	197	189
Corrections and Rehabilitation	129	131	132	136	122	117
Health and Human Services	28	27	28	30	27	29
Community and Economic Development	7	7	7	7	7	9
Infrastructure and Environmental Services	<u>92</u>	<u>92</u>	<u>93</u>	<u>95</u>	<u>96</u>	<u>97</u>
Total	622	617	629	651	657	655

Source: County Auditor's Office

Pension Fund Liability

All qualified employees of the County are members of the Texas County and District Retirement System (the "Retirement System"). Each qualified employee of the County contributes 7.0% of gross earnings and the County contributes an amount equal to 8.71% of the gross earnings of the employees to the Retirement System. County employees are also covered by the United States Social Security Program.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND BALANCE

Fiscal Year Ending 12-31	2017 ⁽¹⁾	2016	2015	2014	2013
REVENUES					
Ad Valorem Taxes	\$33,689,888	\$29,651,372	\$27,067,462	\$26,205,077	\$24,161,081
Sales and Use Taxes	13,038,842	12,162,897	11,193,094	10,612,168	9,724,266
Other Taxes	762,470	686,068	638,080	572,984	748,629
Fees	6,211,819	3,774,880	3,622,940	3,473,153	3,477,195
Charges for Services	2,844,347	2,643,924	2,495,730	2,663,214	2,865,772
Operating Grants and Contributions	418,821	356,621	379,222	430,648	372,397
Interest Earnings	1,044,423	296,528	77,659	126,507	174,770
Miscellaneous	<u>267,668</u>	<u>278,215</u>	<u>142,158</u>	<u>542,835</u>	<u>544,190</u>
TOTAL REVENUES	\$58,278,278	49,850,505	45,616,345	44,626,586	42,068,300
EXPENDITURES					
General Government	10,493,338	9,006,443	8,495,428	8,287,664	7,785,152
Justice System	8,240,181	7,949,007	7,593,823	7,104,980	6,121,358
Public Safety	16,855,328	15,851,639	13,863,158	12,990,637	12,453,040
Corrections and Rehabilitation	11,522,431	9,941,064	9,805,450	9,182,388	8,599,975
Health and Human Services	1,527,086	1,479,499	1,435,260	1,299,805	1,215,687
Community and Economic Development	574,046	563,989	549,844	396,673	430,580
Infrastructure and Environment	774,555	916,389	705,423	655,623	604,784
Capital Outlay	<u>3,588,983</u>	<u>2,691,394</u>	<u>2,506,730</u>	<u>2,056,716</u>	<u>1,764,530</u>
TOTAL EXPENDITURES	53,575,948	48,399,424	44,955,116	41,974,486	38,975,106
Excess (Deficiency) Of Revenues Over Expenditures	4,702,330	1,451,081	661,229	2,652,100	3,093,194
Other Sources (Uses)	<u>174,339</u>	<u>31,742</u>	<u>(29,641)</u>	<u>(809,995)</u>	<u>38,641</u>
Excess (Deficiency) Of Revenues And Other Sources Over (Under) Expenditures and Other Uses	4,876,669	1,482,823	631,588	1,842,105	3,131,835
BEGINNING FUND BALANCE	22,281,708	20,798,885	20,167,297	18,325,192	15,193,357
Prior Period Adjustments	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
ENDING FUND BALANCE	<u>\$27,158,377</u>	<u>\$22,281,708</u>	<u>\$20,798,885</u>	<u>\$20,167,297</u>	<u>\$18,325,192</u>

Source: Comal County Comprehensive Annual Financial Reports.

⁽¹⁾ Unaudited.

APPENDIX B

Comal County Economic And Demographic Characteristics

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This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the County is located. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the Texas Almanac, New Braunfels Chamber of Commerce, and Comal County and City of New Braunfels Texas Municipal Reports.

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

General Information

Comal County, Texas (the "County") is a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, Texas, is a scenic Southwest county named after the Comal River.

The City of New Braunfels, Texas (the "City"), the county seat of Comal County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Population

<u>Census Report</u>	<u>City of New Braunfels</u>	<u>Comal County</u>
2017 Est.	71,519	141,000
2010	57,740	108,472
2000	36,464	78,021
1990	30,402	58,905
1980	22,402	36,446
1970	17,859	24,165

Major Employers

The County has been economically stable for many years because of the industries located there. A list of the major non-governmental employers, their products and number of employees as reported by the Greater New Braunfels Chamber of Commerce follows:

<u>Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Schlitterbahn	Waterpark and Resort	1,689 *
Wal Mart Distribution Center	Distribution Center	1,218
Sysco	Food Products Supplier	864
IBEX Global	Call Center	750
Hunter Industries/Colorado Materials	Highway Contractor/Material Supplier	705
Resolute Health	Hospital	593
HD Supply Facilities Maintenance	Call Center	516
CHRISTUS Santa Rosa Hospital - New Braunfels	Hospital	460
GE Oil & Gas	Natural Gas	400
Buc-ees	Convenience Store	342
Rush Enterprises, Inc.	Heavy Duty Truck Dealer	330

* *The Schlitterbahn Water Park, located on 100 acres in the City, is a large seasonal employer. The operating season is Memorial Day through Labor Day, during which time approximately 1,800 people are employed.*

In addition to the foregoing, estimated County, City and School District current employment figures follow:

Comal County	683 *
City of New Braunfels	550 *
New Braunfels Utilities	243
New Braunfels ISD	1,040
Comal ISD	2,684

* *Includes part-time and seasonal employees.*

Labor Force Statistics - Comal County

	2017	2016	Annual Average 2015	2014	2013
Civilian Labor Force	66,826	63,539	61,696	58,965	58,132
Total Employed	<u>64,580</u>	<u>61,229</u>	<u>59,430</u>	<u>56,294</u>	<u>54,704</u>
Total Unemployed	2,246	2,310	2,266	2,671	3,428
% Unemployed	3.4%	3.6%	3.7%	4.5%	5.9%
% Unemployed (Texas)	4.3%	4.6%	4.4%	5.1%	6.2%
% Unemployed (United States)	4.4%	4.9%	5.3%	6.2%	7.4%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Employment and Wages by Industry - Comal County

	Number of Employees			
	Second Quarter 2017	Fourth Quarter 2016	Fourth Quarter 2015	Fourth Quarter 2014
Natural Resources and Mining	553	537	538	362
Construction	5,837	5,220	4,773	4,397
Manufacturing	2,886	2,942	2,939	2,931
Trade, Transportation & Utilities	12,845	13,090	11,618	11,059
Information	624	583	571	549
Financial Activities	1,671	1,483	1,481	1,391
Professional and Business Services	6,251	5,305	4,798	4,048
Education and Health Services	6,711	6,605	6,536	6,644
Leisure and Hospitality	10,190	7,607	8,501	6,714
Other Services	1,492	1,827	1,406	1,513
Unclassified	60	58	10	24
Federal Government	204	206	168	165
State Government	188	183	170	168
Local Government	<u>5,662</u>	<u>5,523</u>	<u>5,486</u>	<u>5,334</u>
Total Employment	55,174	51,170	48,995	45,299
Total Wages	\$559,930,504	\$556,743,327	\$471,117,915	\$475,476,034

Source: Labor Market and Career Information Department, Texas Workforce Commission.

Agriculture

Agriculture continues as an important source of income to the area. According to latest statistics from the Annual Agricultural Increment Report, Comal County's annual income from agriculture is estimated at \$5.2 million. Some of the products include corn, hay, milo, wheat, oat, pecan and nursery crops; goat, beef, hog, horse, sheep, wool and mohair production; Christmas trees; hunting and recreation.

Commercial

The County has a wide range of commercial establishments including restaurants, motels, food stores, manufacturing, professional services, retail stores, and service stations. Those in the Canyon Lake area include motels, Cranes Mill Marina and Canyon Lake Marinas, Inc.

Health Care

The City has two hospitals, CHRISTUS Santa Rosa Hospital-New Braunfels (CSRH-NB) and Resolute Health. CSRH-NB is a full-service, 94-private bed facility that continues to expand to meet the needs of New Braunfels' strong population growth. CSRH-NB employs more than 475 full and part time Associates and provides privileges to more than 150 physician staff members and nearly 100 volunteers. Innovative equipment and procedures are utilized, including an Outpatient Imaging Center, orthopedic and surgical services, rehabilitation, a renovated birthing center, including 24/7 neonatal coverage, emergency care, wound care/hyperbaric center, comprehensive heart care, from diagnostics to open-heart surgery, and a freestanding Emergency Center at Creekside Town Center. Resolute Health opened in June 2014 and employs about 600 associates. Resolute Health invested \$250 million into the 365,000 square-foot facility which has 125 beds in all-private rooms and offers a broad range of specialty services, including cardiovascular, orthopedics, oncology, imaging, wound care, rehabilitation and obstetrics. It is the only Level III neonatal intensive care unit in the area. The new hospital serves as the cornerstone of Resolute Health, a network of care in New Braunfels,

which is located roughly 30 miles northeast of San Antonio. New Braunfels Regional Rehabilitation Hospital is a 40-bed hospital that specializes in severe head and neck/stroke patients. More than 160 employees work at the \$28 million dollar, 40-bed facility. Bexar County, University of Texas and U. S. Veterans Administration medical facilities are located in nearby northwest San Antonio.

Educational Facilities

Local public school facilities are provided through the Comal Independent School District and New Braunfels Independent School District. Enrollment records follow:

School Year	Comal ISD ⁽¹⁾		New Braunfels ISD ⁽²⁾	
	Membership	Avg. Daily Attendance	Membership	Avg. Daily Attendance
2003-04	11,860	11,272	6,248	5,956
2004-05	12,457	11,778	6,422	6,095
2005-06	13,329	12,655	6,736	6,443
2006-07	14,125	13,405	6,936	6,664
2007-08	15,100	14,285	7,210	6,918
2008-09	16,010	15,141	7,471	7,073
2009-10	16,485	15,647	7,809	7,457
2010-11	17,190	16,262	7,918	7,680
2011-12	17,657	16,849	7,965	7,648
2012-13	18,643	17,611	8,093	7,769
2013-14	19,313	18,502	8,202	7,874
2014-15	20,277	19,235	8,396	8,057
2015-16	20,922	20,100	8,398	8,059
2017-18 *	22,732	22,053	8,743	8,436

* Estimates as of Fall 2017.

Higher educational facilities include Texas Lutheran University - Seguin, approximately 13 miles from New Braunfels; Texas State University - San Marcos, approximately 15 miles from New Braunfels; and eight colleges and/or universities located in San Antonio, approximately 35 miles from New Braunfels. Planned higher educational facilities include the future Howard-Payne University campus which will be part of the proposed Veramendi development project. Currently, Howard-Payne University offers courses at New Braunfels High School and online. In addition, Wayland Baptist University has moved into a 10,000 sq. ft. educational space adding more higher education opportunities in the surrounding community.

The Central Texas Technology Center. The CTTC is a District Workforce Specialty Campus. It is the area's first higher education facility dedicated to technology and it is a collaborative effort of the governing bodies and business development agencies of New Braunfels, Seguin and the Alamo Colleges. Alamo Colleges runs the programs and classes that provide college level education and training to residents of Comal, Guadalupe, Hays, Bexar and Wilson counties. In 2015, The U.S. Department of Commerce and Economic Development Administration awarded Alamo Colleges at \$1.25 million dollar grant to help double the size of the CTTC. These funds joined \$5 million already committed to the project and paved the way for the expansion project which was completed in 2016.

Transportation

New Braunfels is situated in between Austin and San Antonio along Interstate Highway 35. This corridor is considered among the fastest growth areas in the nation. The City is served by Interstate Highway 35 (U.S. 81) and State Highway 46. Loop 337 circles the City and numerous Farm and Ranch Roads traverse the County. Railroads include the Union Pacific and Missouri Kansas and Texas Lines. The City's New Braunfels Region Airport facility encompasses 1,000 acres and has a fully operational FAA-run tower, four runways, four taxiways, and a parking ramp. Most recently, extension of Runway 13-31 to 6,500 feet was completed in 2015 to accommodate larger aircraft. The airport runways are of all asphalt construction with threshold lights and full runway lights. Jet fuel, aviation gas, and car rentals are available at the airport. The airport, located some four miles from the City, is reported to have an average of 75 flights per day. The New Braunfels Airport is also used for corporate flights. Several motor freight lines and FedEx/UPS serve the City.

Community Services

The New Braunfels and Canyon Lake area contains approximately 26 motels/hotels, 27 resorts and condominiums, 22 campgrounds and RV parks, and 28 bed and breakfast/vacation home rentals. In addition, there are numerous other facilities available in San Antonio and adjoining towns.

The City has several museums, a library, two radio stations, and a newspaper which is published six days a week. In addition, one weekly newspaper is published in Comal County. Both the San Antonio and Austin daily newspapers are available. There are numerous radio stations, three commercial television stations, cable and satellite television, and one educational television station in San Antonio that serve the New Braunfels area.

Over thirty denominations are represented in more than seventy churches in the City. Those not represented generally are available in nearby San Antonio.

The Brauntex Performing Arts Theatre and Circle Arts Theatre provide live entertainment and theatre in New Braunfels. The Mid-Texas Symphony, a professional orchestra, is performing in its 39th season of concerts in New Braunfels and Seguin.

Tourism and Recreation

Located in the heart of the City are Comal Springs and Landa Park, a 300-acre park, which includes an 18-hole golf course, tennis courts, large picnic and playground areas, an Olympic-size swimming pool, and the largest spring-fed swimming pool in Texas. Schlitterbahn Waterpark Resort in New Braunfels is recognized annually as one of the best waterparks in the country. Numerous additional golf courses are available in the region.

Natural Bridge Caverns, the state's largest caverns, and Natural Bridge Wildlife Ranch are major tourist attractions located in the southern part of Comal County. Scenic drives and historic sites also attract many tourists to the area.

Canoeing, tubing, rafting, kayaking and other white water sports on the Guadalupe River are very popular.

Canyon Lake, located twenty miles from the City, is a popular water-resort area for sailing, boating, fishing, water skiing and scuba diving. Several parks have been established around the Lake.

Annual celebrations include the Comal County Fair, one of the oldest and best attended County fairs in the State, and the "Wurstfest." The annual "Wurstfest" is a ten-day event and always starts on the Friday before the first Monday in November. The 57th annual "Wurstfest" was held this past November 3 through November 12. Average annual attendance exceeds 125,000 with income from admissions and concessions sales well in excess of \$3,000,000.

The City constructed a Civic Center in 1971 which contributes materially to tourist income. In addition, the City built a new civic center and renovated the existing space in July 2008.

Area Growth Statistics

Year	Building Permits ⁽¹⁾	Utility Customer Count			
		Water ⁽²⁾	Sewer ⁽²⁾	Electric ⁽²⁾	Gas ⁽¹⁾
2006	\$259,335,486	19,753	17,430	26,087	7,500
2007	243,877,007	20,729	18,281	27,000	7,733
2008	276,318,949	21,613	18,955	28,219	7,820
2009	227,485,081	22,457	19,358	28,894	7,747
2010	169,426,903	23,440	19,958	29,595	7,924
2011	184,328,445	24,436	20,488	30,252	8,102
2012	189,047,419	25,588	21,097	31,061	8,184
2013	398,197,600	27,303	21,942	32,404	8,364
2014	409,183,529	29,089	22,885	33,975	8,742
2015	223,638,556	31,415	24,034	35,455	9,117
2016	n/a	33,550	25,072	36,914	n/a
2017	n/a	36,140	26,294	38,867	n/a

⁽¹⁾ Source: Greater New Braunfels Chamber of Commerce. Beginning 2015 Building Permits no longer includes County values; gas statistics not available.

⁽²⁾ Source: New Braunfels Utilities 2017 Comprehensive Annual Financial Report (fiscal year).

Utilities

The Guadalupe River provides NBU and the City of New Braunfels with a source of good quality and quantity of water. Well water from the Edwards Aquifer and the Trinity Aquifer is also available in most of the unincorporated areas of the County. The Guadalupe River, Comal River and Canyon Lake help to assure future water supply. Sale of water from Canyon Lake is in the control of the Guadalupe-Blanco River Authority. Water districts serve the eastern part of the County.

Electricity is available throughout the City and is provided by NBU which also serves approximately 5,300 customers in the surrounding rural area. GVEC and PEC also provide electric services to some areas of the City.

Natural Gas is available to the residents of the City from Enterprise Texas Pipeline, L.P., and distributed by Centerpoint Energy. In other areas where natural gas is not available, butane and propane gas service is available by truck delivery.

The City's telephone service is provided by AT&T, Inc. and Time Warner Cable, with other County areas being served by the Guadalupe Valley Telephone Cooperative (GVTC).

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APPENDIX C
FINANCIAL REPORT
COUNTY OF COMAL, TEXAS
For Fiscal Year Ended
December 31, 2016

The information contained in this Appendix has been reproduced from the Comal County, Texas Financial Report for the year ended December 31, 2016.

The information presented represents only a part of the Report and does not purport to be a complete statement of the County's financial condition. Reference is made to the complete Comprehensive Annual Financial Report for additional information.

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**COMAL COUNTY, TEXAS
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
2016**

INTRODUCTORY SECTION





OFFICE OF THE COUNTY AUDITOR

Jessie Rahe
Interim County Auditor
150 North Seguin Avenue, Suite 201
New Braunfels, Texas 78130
raheje@co.comal.tx.us
830-221-1200
Fax: 830-620-5592

June 22, 2017

Honorable District Judges
Honorable County Judge
Honorable County Commissioners
Comal County, Texas 78130

To the Honorable Judges, Commissioners, and Citizens of Comal County:

The County Auditor's Office proudly presents the Comprehensive Annual Financial Report of Comal County, Texas (the County) for the year ended December 31, 2016. The Texas Local Government Code section 114.025 requires a complete set of audited financial statements annually. This report was prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

This report was prepared by the Comal County Auditor's Office. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that have been established for this purpose. The internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements since the cost of internal controls should not outweigh their benefits. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The financial statements, for the year ended December 31, 2016, were audited by ABIP, P.C., Certified Public Accountants and Advisors and their unmodified (clean) opinion resulting from their examination is located at the front of the financial section of this report. Their audit was conducted 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*.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF COMAL COUNTY

Comal County was the first of 128 counties created from the original Bexar County by the First Legislature of Texas. The Act creating the County was approved on March 24, 1846. Comal County gets its name from the Comal Springs and the Comal River that flow through New Braunfels, the County seat.

Comal County has an area of 575 square miles and the 2016 estimated population of 134,788 with the City of New Braunfels having an estimated population of 73,959. There are six other cities within Comal County, the City of Garden Ridge, the City of Schertz, the City of Selma, the City of Fair Oaks Ranch, the City of Bulverde and the City of Spring Branch. The City of Schertz, the City of Selma and the City of Fair Oaks Ranch are primarily located in other counties. Comal County

varies in altitude from 650 to 1,700 feet above sea level and receives an annual rainfall of approximately 33.24 inches. The county enjoys a growing season of 265 days, with an average minimum temperature in January of 40 degrees and an average maximum temperature in July of 96 degrees.

Comal County is governed by four Commissioners elected by precinct and a County Judge elected countywide which comprise the Commissioners' Court. The County is also divided into a number of different departments, each with its own legally constituted duties as prescribed by the Constitution of 1876, and/or legislative acts and each headed by either an elected or appointed official. The State court system is intertwined in the operation of Comal County as an entity.

As a subdivision of the State of Texas, the County provides only those services allowed by statute. This includes judicial, detention facilities, public safety, highways, flood control, health and limited social services, public improvements and general administrative services. Comal County also appoints the board and has oversight authority for the Water Oriented Recreation District (W.O.R.D.), which is reported separately within the County's financial statements. Additional information on W.O.R.D. can be found in the notes to the financial statements (See Note 1.A).

Commissioners' Court is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for Comal County's financial planning and control. The budget is prepared by fund, department, and line-item, and requires special approval from the Commissioners' Court to make any transfers. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual Appropriations Budget. Budgets are adopted for the general, certain special revenue, and debt service funds on a GAAP basis. Budgets are prepared for grants-in-aid funds on a program year basis, which may differ from the County's fiscal year. Under state law, the budget cannot be exceeded in any expenditure category. The County Commissioners' Court may amend the budget once it has been adopted.

LOCAL ECONOMY

Comal County, ranked sixth on the nation's ten fastest-growing counties with a population of at least ten thousand, grew by an estimated 5,700 people in 2016. As a result of this continued growth, 1226 new home sites became available in subdivisions in the unincorporated areas of Comal County. The County's location between San Antonio and Austin provides opportunities for commuters to live in the County and work in one of these major cities.

Comal County's total civilian labor force grew by 3,440 from 60,572 in 2015 to 64,012 in 2016. The unemployment rate in Comal County was 3.6% at the end of 2016.

Comal County has continued to enjoy a prosperous economy. The major sectors of Comal County's economy, manufacturing, tourism, distribution, and real estate continue to grow.

LONG-TERM FINANCIAL PLANNING

The County's General Fund balance increased in 2016 \$1,482,823 resulting in an ending balance of \$22,281,708. The 2015 General Fund balance was \$20,798,885.

MAJOR INITIATIVES

The County entered into a Pass-through financing arrangement with TXDOT for improvements to Highway 281. Under the agreement, the project is to expand lanes on Highway 281 to two lanes both directions all the way through Comal County. To date, the

County has made three payments totaling \$2,200,200 to TXDOT (in 2009, 2010 and 2012) for its part of the Right of Way acquisition and utility relocation. In 2012 the County issued \$14,855,000 in debt which will be repaid by the State of Texas upon completion of the project, with interest payable by Comal County. The project began in 2013 and is completed, but the County continues to be reimbursed.

In late 2015, the County entered into an inter-local agreement with the City of New Braunfels, who has entered into an agreement with TXDOT, to improve Loop 337 by constructing a four-lane divided highway with appropriate right and left turn lanes and build bridges over the Guadalupe River, the Dry Comal Creek and two Union Pacific Railroad tracks. The total cost of the project is approximately \$54,000,000 with the County contribution totaling \$1,000,000. The construction is to begin in mid-2017 and should be completed approximately two years later.

In June of 2015 Comal County issued \$3,300,000 in Tax Anticipation Notes to fund three projects. Part of the issue was used to acquire a building two blocks from the County Annex to be converted into the next Elections Office. The Elections Office renovations are to be completed by the end of 2017. The other funds were used to purchase new voting and tabulating machines and to pay preliminary architecture fees in order to reasonably project the cost of a new jail and Sheriff's Office renovation.

In November of 2015, Comal County voters successfully passed a bond election authorizing the issuance of up to \$76,000,000 in order to construct a new jail and renovate the old jail thereafter to be used as Sheriff's Office Administration. In 2016, Comal County engaged an architect to complete final jail and Sheriff's office design, Program Managers to oversee construction and a Construction Manager at Risk to build the two projects. These projects will be phased with the Jail built first beginning in late 2017 and then the old jail converted to office space thereafter. It is anticipated that construction on both projects will last thirty months.

FINANCIAL POLICY

The Comal County Commissioners Court maintains a conservative fiscal policy while responding to the needs of a rapidly growing county located between two of the fastest growing cities in the state. This policy has allowed the County to provide a high standard of services and infrastructure while maintaining a relatively low tax rate.

AWARDS AND ACKNOWLEDGEMENTS

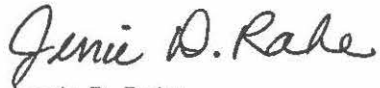
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Comal County for its Comprehensive Annual Financial Report for the year ended December 31, 2015. This was the twenty fourth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the services of the entire staff of the County Auditor's Office and the efforts of our outside auditor, Ms. Janet A. Pitman, Certified Public Accountant of the firm of ABIP, P.C., Certified Public Accountants and Advisors. I hereby express my appreciation to all these

individuals who participated in its preparation. I also appreciate the support of the District Judges in the efforts to improve the financial reporting by the County Auditor's Office.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jessie D. Rahe".

Jessie D. Rahe
Interim County Auditor



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Comal County
Texas**

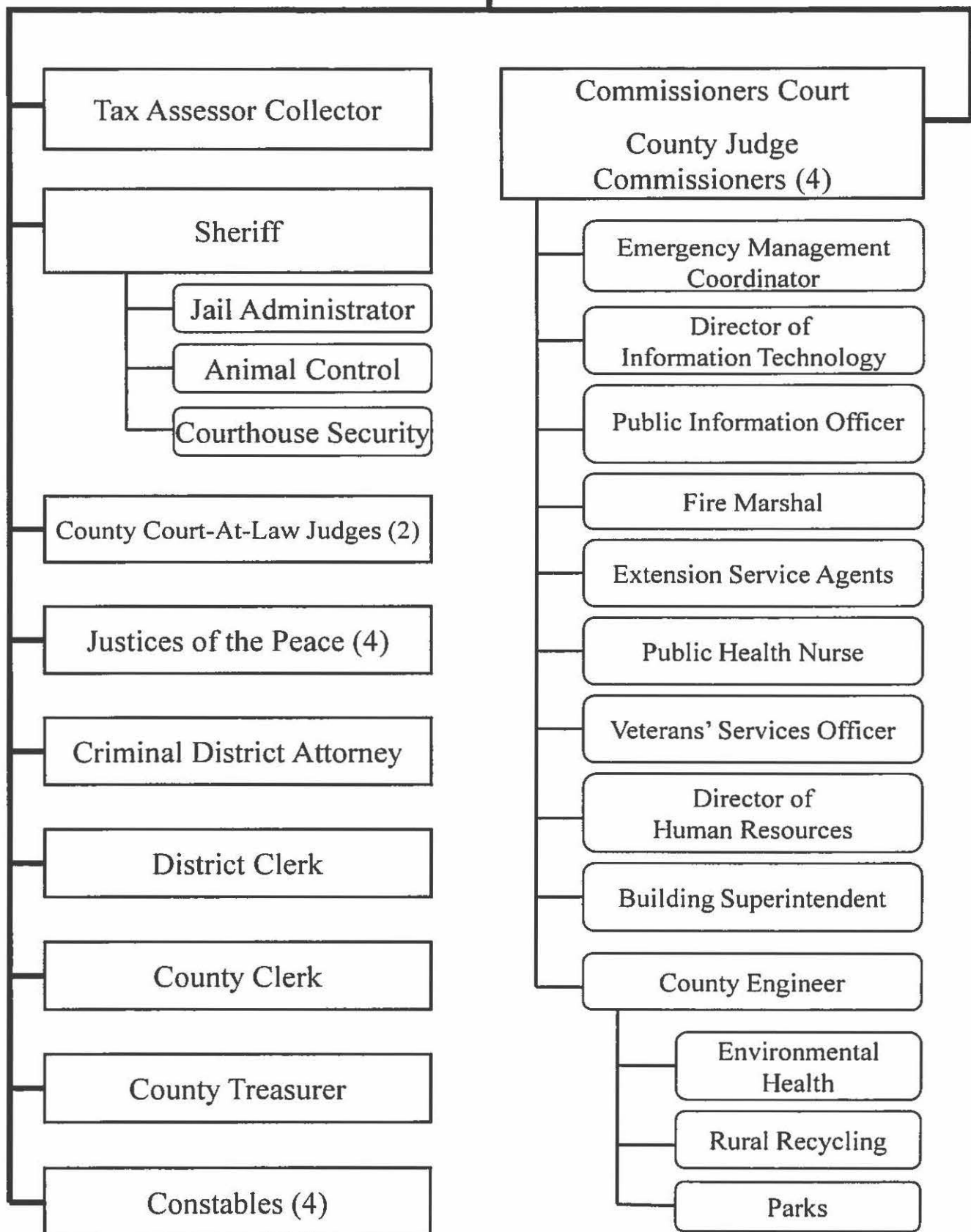
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

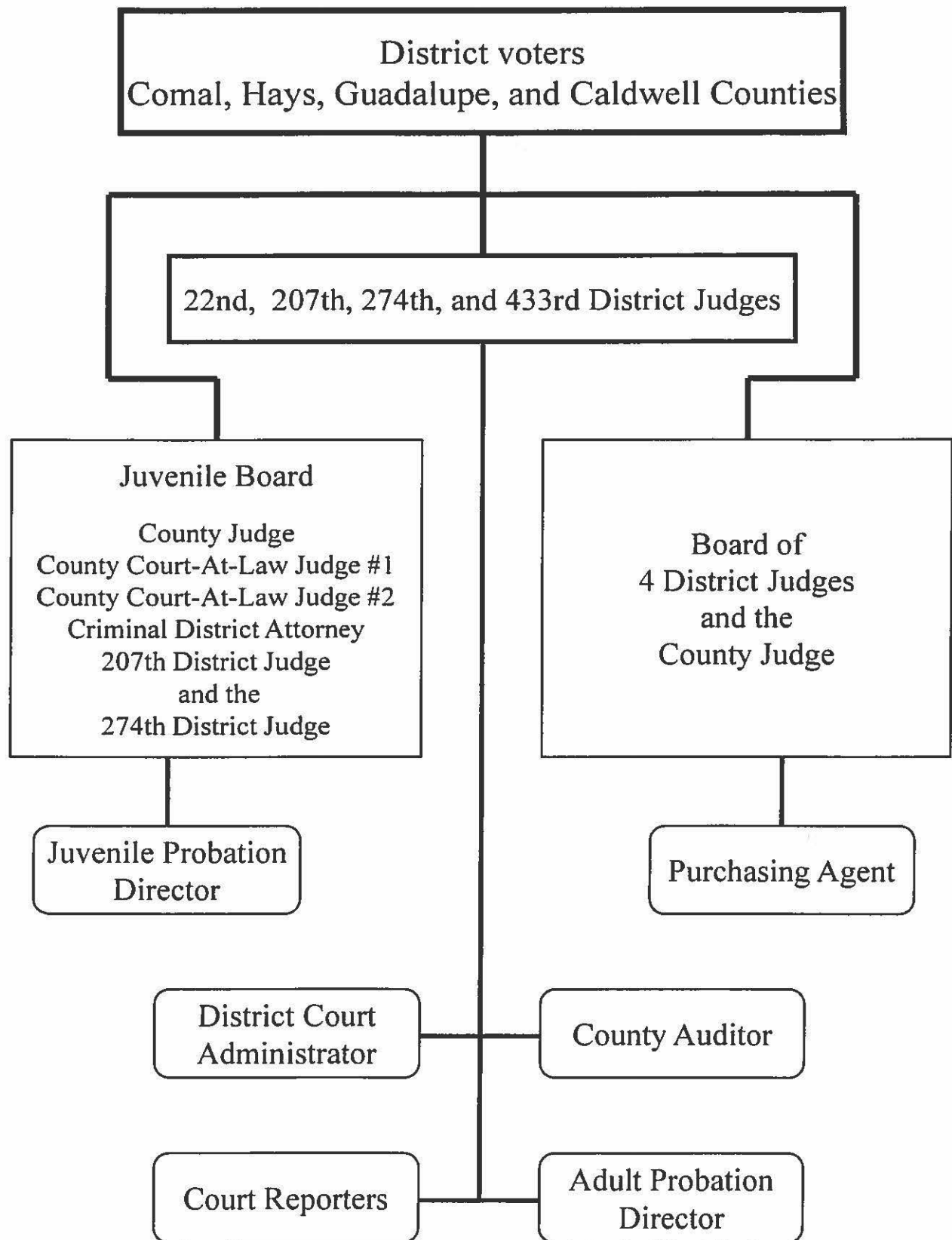
December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is written in a cursive style with a large, stylized 'J' and 'E'.

Executive Director/CEO

Comal County Voters





**COMAL COUNTY, TEXAS
DIRECTORY OF OFFICIALS
December 31, 2016**

<u>DISTRICT COURT</u>		<u>Area Code</u> <u>Phone #</u>
JUDGE, 22ND JUDICIAL DISTRICT	R. BRUCE BOYER Hays County Government Center San Marcos, Texas 78666	(512) 393-7700
JUDGE, 207TH JUDICIAL DISTRICT	JACK ROBISON Comal County Courthouse Annex 150 North Seguin, Suite 317 New Braunfels, Texas 78130	(830) 221-1270
JUDGE, 274TH JUDICIAL DISTRICT	GARY L. STEEL Guadalupe County Courthouse Seguin, Texas 78155	(830) 303-4188
JUDGE, 433RD JUDICIAL DISTRICT	DIBRELL WALDRIP Comal County Courthouse Annex 150 North Seguin, Suite 317 New Braunfels, Texas 78130	(830) 221-1270
CRIMINAL DISTRICT ATTORNEY	JENNIFER THARP Comal County Courthouse Annex 150 North Seguin, Suite 307 New Braunfels, Texas 78130	(830) 221-1300
DISTRICT CLERK	HEATHER KELLAR Comal County Courthouse Annex 150 North Seguin, Suite 304 New Braunfels, Texas 78130	(830) 221-1251
COURT REPORTER	GRACE C. DUNCAN 22ND JUDICIAL DISTRICT Hays County Government Center San Marcos, Texas 78666	(512) 393-7700
COURT REPORTER	MARY G. SCOPAS 207TH JUDICIAL DISTRICT Comal County Courthouse Annex 150 North Seguin, Suite 317 New Braunfels, Texas 78130	(830) 221-1270
COURT REPORTER	RICHARD E. ROBERTS JR. 274TH JUDICIAL DISTRICT Guadalupe County Courthouse Seguin, Texas 78155	(830) 303-4188
COURT REPORTER	CINDY CUMMINGS 433RD JUDICIAL DISTRICT Comal County Courthouse Annex 150 North Seguin, Suite 317 New Braunfels, Texas 78130	(830) 221-1270
DISTRICT COURT ADMINISTRATOR	STEPHEN M. THOMAS Comal County Courthouse Annex 150 North Seguin, Suite 317 New Braunfels, Texas 78130	(830) 221-1270

**COMAL COUNTY, TEXAS
DIRECTORY OF OFFICIALS
December 31, 2016**

<u>COUNTY COURTS AT LAW</u>		Area Code Phone #
JUDGE, COUNTY COURT-AT-LAW #1	RANDAL C. GRAY 424 S. Castell Avenue New Braunfels, Texas 78130	(830) 221-1180
JUDGE, COUNTY COURT-AT-LAW #2	CHARLES A. STEPHENS II Comal County Courthouse Annex 150 North Seguin, Suite 317 New Braunfels, Texas 78130	(830) 221-1180
<u>COMMISSIONERS' COURT</u>		
COUNTY JUDGE	SHERMAN W. KRAUSE Comal County Courthouse 100 Main Plaza New Braunfels, Texas 78130	(830) 221-1100
COMMISSIONER, PRECINCT NO. 1	DONNA ECCLESTON Comal County Courthouse 100 Main Plaza New Braunfels, Texas 78130	(830) 221-1100
COMMISSIONER, PRECINCT NO. 2	SCOTT HAAG Comal County Courthouse 100 Main Plaza New Braunfels, Texas 78130	(830) 221-1100
COMMISSIONER, PRECINCT NO. 3	KEVIN K. WEBB Comal County Courthouse 100 Main Plaza New Braunfels, Texas 78130	(830) 221-1100
COMMISSIONER, PRECINCT NO. 4	JEN CROWNOVER Comal County Courthouse 100 Main Plaza New Braunfels, Texas 78130	(830) 221-1100
<u>JUSTICES OF THE PEACE</u>		
PRECINCT NO. 1	TOM CLARK 145 David Jonas Drive New Braunfels, Texas 78132	(830) 608-2025
PRECINCT NO. 2	LARRY SHALLCROSS P. O. Box 46 Bulverde, Texas 78163	(830) 438-2266
PRECINCT NO. 3	MIKE RUST 3079 West San Antonio Street New Braunfels, Texas 78132	(830) 221-1133
PRECINCT NO. 4	JENNIFER K. SAUNDERS P. O. Box 2038 Canyon Lake, Texas 78133	(830) 964-3886

**COMAL COUNTY, TEXAS
DIRECTORY OF OFFICIALS
December 31, 2016**

		Area Code Phone #
<u>OTHER ELECTED COUNTY OFFICIALS</u>		
TAX ASSESSOR-COLLECTOR	CATHY TALCOTT 205 North Seguin Avenue New Braunfels, Texas 78130	(830) 221-1353
COUNTY CLERK	BOBBIE KOEPP Comal County Courthouse Annex 150 North Seguin, Suite 101 New Braunfels, Texas 78130	(830) 221-1230
COUNTY TREASURER	RENEE L. COUCH Comal County Courthouse Annex 150 North Seguin, Suite 213 New Braunfels, Texas 78130	(830) 221-1220
COUNTY SHERIFF	MARK REYNOLDS 3005 W. San Antonio Street New Braunfels, Texas 78130	(830) 620-3400
<u>CONSTABLES</u>		
PRECINCT NO. 1	BEN SCROGGIN 145 David Jonas Drive New Braunfels, Texas 78132	(830) 620-3814
PRECINCT NO. 2	RANDY M. CHEATUM 2350 Bulverde Road Bulverde, Texas 78163	(830) 438-3117
PRECINCT NO. 3	JOSEPH C. ACKERMAN 3079 West San Antonio Street New Braunfels, Texas 78132	(830) 221-1121
PRECINCT NO. 4	JASON S. RAPP P. O. Box 2038 Canyon Lake, Texas 78133	(830) 964-4526
<u>OTHER COUNTY OFFICIALS</u>		
COUNTY AUDITOR (INTERIM)	JESSIE D. RAHE Comal County Courthouse Annex 150 North Seguin, Suite 201 New Braunfels, Texas 78130	(830) 221-1200
COUNTY EMERGENCY MANAGEMENT COORDINATOR	JEFF KELLEY 100 Main Plaza New Braunfels, Texas 78130	(830) 221-1108
COUNTY ENGINEER	THOMAS HORNSETH 195 David Jonas Drive New Braunfels, Texas 78130	(830) 608-2090

**COMAL COUNTY, TEXAS
DIRECTORY OF OFFICIALS
December 31, 2016**

		Area Code Phone #
<u>OTHER COUNTY OFFICIALS</u>		
COUNTY EXTENSION AGENT - COUNTY COORDINATOR / HEALTH EDUCATION	KRYSTAL ROSE SNIDER 325 Resource Drive New Braunfels, Texas 78130	(830) 620-3440
COUNTY EXTENSION AGENT - AGRICULTURAL & NATURAL RESOURCES	TROY LUEPKE 325 Resource Drive New Braunfels, Texas 78130	(830) 620-3440
COUNTY EXTENSION AGENT - FAMILY & CONSUMER SCIENCES	CONSTANCE SHEPPARD 325 Resource Drive New Braunfels, Texas 78130	(830) 620-3440
COUNTY EXTENSION AGENT - 4-H / YOUTH DEVELOPMENT	VICTORIA GRISSOM 325 Resource Drive New Braunfels, Texas 78130	(830) 620-3440
COUNTY FIRE MARSHAL	KORY KLABUNDE 145 David Jonas Drive New Braunfels, Texas 78132	(830) 964-2786
COUNTY HEALTH NURSE	GWEN E. MILLS 178 East Mill Street, Suite 210 New Braunfels, Texas 78130	(830) 221-1150
HUMAN RESOURCES DIRECTOR	JERRI HETTINGER 1297 Church Hill Drive New Braunfels, Texas 78130	(830) 643-5859
INFORMATION TECHNOLOGY DIRECTOR	MICHAEL LEE 150 North Seguin, Suite 214 New Braunfels, Texas 78130	(830) 643-5808
COUNTY JUVENILE OFFICER	NICK REININGER 171 East Mill Street New Braunfels, Texas 78130	(830) 221-1290
COUNTY PURCHASING AGENT	RAMONA WOMACK 1297 Church Hill Drive New Braunfels, Texas 78130	(830) 643-5850
COUNTY VETERANS SERVICE OFFICER	MICHAELLE DAVIS 345 Landa Street New Braunfels, Texas 78130	(830) 221-1170

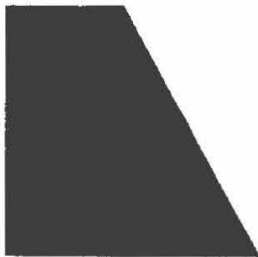




**COMAL COUNTY, TEXAS
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
2016**

FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

To the Honorable Judge and
County Commissioners
Comal County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Comal County, Texas, as of and for the year ended December 31, 2016, 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.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Comal County, Texas, as of December 31, 2016, 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 on pages 4- 12, budgetary comparison information on pages 54- 55, schedule of changes in net position liability and related ratios on page 56, schedule of employer contributions on page 57, and related notes on page 58, 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 Comal County, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements and other supplementary information, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other supplementary information is the responsibility of management and was 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 non-major fund financial statements and other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, on our consideration of the Comal County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Comal County, Texas' internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas
June 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Comal County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

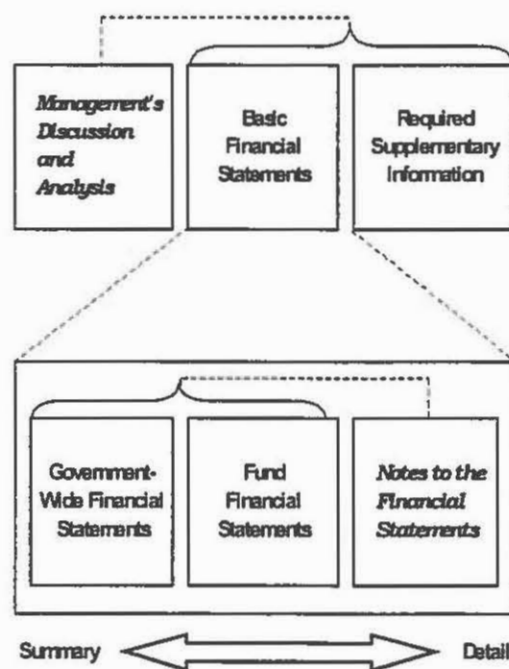
- The County's total combined net position exceeded its liabilities by \$154,657,025 at December 31, 2016. Of this amount, \$7,856,229 is available to meet the County's ongoing obligations.
- The County's total net position increased by \$4,271,544 over the prior year.
- The general fund's fund balance increased to \$22,281,708 at the end of 2016, an increase of \$1,482,823 over 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *other supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as self-funded health insurance.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: self insurance	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net position	Statement of changes in fiduciary net position
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the County's funds do not currently contain capital assets, although they can.
Type of inflow / outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how they have changed. Net position—the difference between the County's assets and liabilities—is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one should consider additional non-financial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental Activities*. Most of the County's basic services are included here, such as the justice system, public safety, corrections, infrastructure, and health services. Property taxes, sales taxes, fees of office, charges for services and grants finance these activities.

Fund Financial Statements

Fund financial statements are groupings of related accounts that are 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 finance-related legal compliance. 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. However, unlike the government-wide financial statements, 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 year. Such information may be useful in evaluating a government'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 a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains sixty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, the capital projects fund and the debt service fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds—The County maintains just one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to report activities that provide supplies and services for the County's other programs and activities—such as the County's Self Insurance Fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within 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. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 23-53.

Required and Other Supplementary Information is presented concerning the County's major funds. The General Fund, the Road and Bridge Fund, the Capital Projects Fund, and the Debt Service Fund are the County's major funds. The County adopts annual budgets for the General Fund and the Road and Bridge Fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. The Capital Projects Fund is budgeted on a project basis instead of an annual basis. Required supplementary information can be found on pages 54-58.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds, internal service funds, agency funds, and component units and are presented immediately following the required supplementary information. Additionally, the County legally adopts budgets for a number of other governmental funds. Budgetary comparison schedules and combining and individual fund statements and schedules can be found on pages 92-173.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

GASB 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments require that the County provide a comparative analysis of government-wide data.

The County's combined net position was \$154,657,025 at December 31, 2016. (See Table A-1).

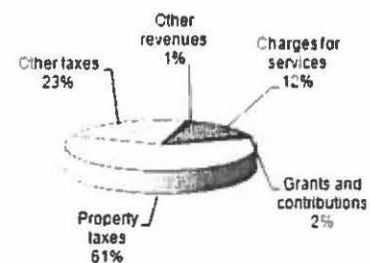
Table A-1

Comal County Net Position December 31,		
	2016 Governmental Activities	2015 Governmental Activities
Current assets	\$ 112,047,650	\$ 157,496,650
Non-current assets	8,581,070	16,581,070
Capital assets	167,820,950	157,553,474
Total assets	288,449,670	331,633,194
Deferred outflows of resources	11,964,448	4,659,365
Other liabilities	36,499,119	91,405,896
Long-term liabilities	78,552,139	70,803,294
Total liabilities	115,051,258	162,209,190
Deferred inflows of resources	30,705,835	23,697,888
Net position:		
Net investment in capital assets	129,360,710	126,904,499
Restricted	17,440,086	13,699,125
Unrestricted	7,856,229	9,781,857
Total net position	\$ 154,657,025	\$ 150,385,481

Change in net position. The County's total revenues were \$71,871,488. A significant portion, 84% (\$60,427,064) of the County's revenue comes from taxes. (See Table A-2.) Charges for services make up 12% (\$8,847,975) of revenues. The remaining 4% of revenues (\$2,596,449) comes from other sources such as grants and other revenues and reimbursements.

- Property values increased by 6% over 2015, resulting in an increase in property tax revenue.
- Sales tax revenues increased by 9%.
- Charges for services increased by 2.4%.

Figure A-3
County Sources of Revenue - Governmental Activities



The total cost of all programs and services was \$67,599,944; of these costs \$17,622,803 (26%) was for public safety, \$11,225,640 (17%) for corrections and rehabilitation, \$10,751,403 (16%) for general government, \$14,252,847 (21%) for infrastructure and \$9,130,703 (13%) for justice system. Other programs account for the remaining 7%. All programs had increases in their operations in 2016. The overall increase was primarily due to a cost of living pay increase for all employees.

- There was an overall increase in expenditures of \$1,612,591 or 2.44%.

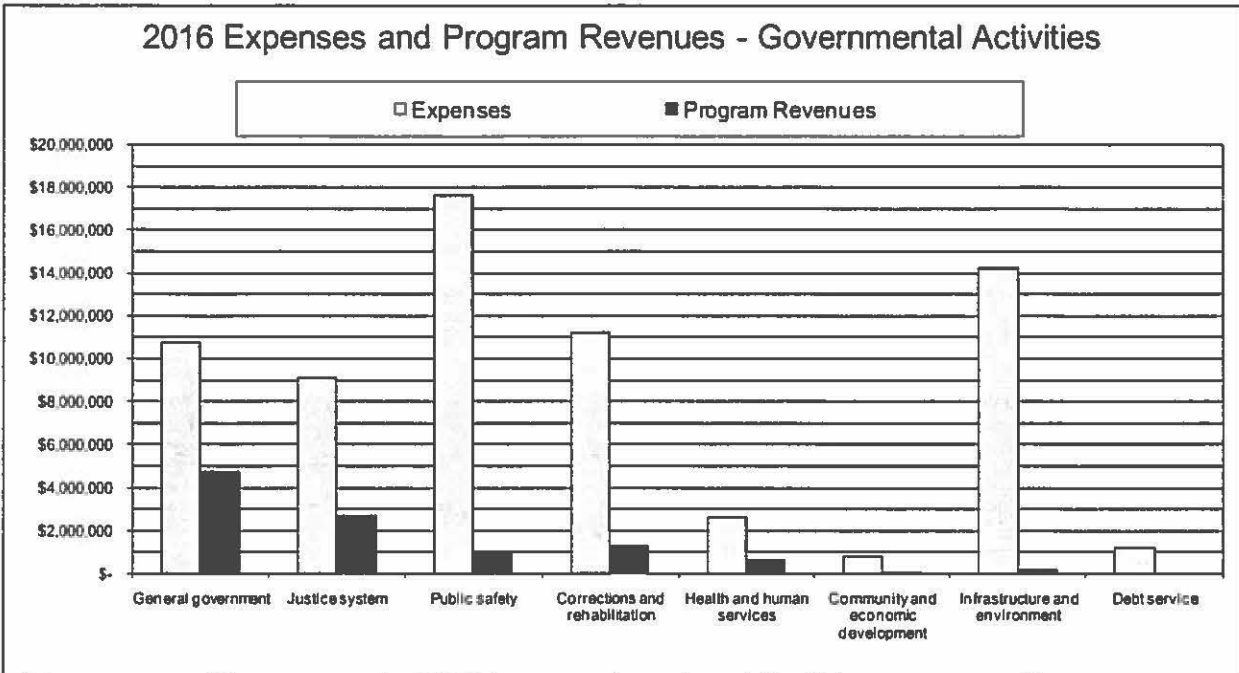
Figure A-4
County Expenses by Function
Governmental Activities



Table A-2

Comal County
Changes in Net Position
December 31

	2016 Governmental Activities	2015 Governmental Activities
REVENUES:		
Program revenues:		
Charges for services	\$ 8,847,975	\$ 8,639,656
Operating grants and contributions	1,687,977	1,475,482
Capital grants and contributions	-	1,996,312
General revenues:		
Taxes:		
Property taxes	43,673,986	39,059,483
Other taxes	16,753,078	15,505,750
Other	908,472	293,801
Total revenues	<u>71,871,488</u>	<u>66,970,484</u>
EXPENSES:		
General government	10,751,403	11,925,744
Justice system	9,130,703	8,856,770
Public safety	17,622,803	15,342,521
Corrections and rehabilitation	11,225,640	11,196,825
Health and human services	2,597,322	2,237,489
Community and economic development	824,326	775,693
Infrastructure and environment	14,252,847	14,104,664
Debt service	1,194,900	1,547,647
Total expenses	<u>67,599,944</u>	<u>65,987,353</u>
Change in net position	4,271,544	983,131
Beginning net position	150,385,481	163,050,785
Restatement of net position	-	(13,648,435)
Ending net position	<u>\$ 154,657,025</u>	<u>\$ 150,385,481</u>



The above table shows a comparison of revenue and grants generated by the program compared to expenses of the program. The excess expenditures are paid with general revenues.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

The County's major general government functions are contained in the General, Special Revenue, Debt Service, and Capital Projects Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

At December 31, 2016, the County's governmental funds reported combined fund balances of \$54,419,362, an increase of \$4,573,418 in comparison with the prior year. Approximately 41% of the combined fund balances constitutes unassigned fund balance, which is available to meet the County's current and future needs. Approximately 32% of the combined fund balance is in the debt service fund and is restricted for payment of county debt. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed for encumbrances, capital projects, and grant expenses.

The General Fund is the chief operating fund of the County. At December 31, 2016, the General Fund reported revenues of \$49,850,505, an increase of \$4,234,160 or about 9% over the prior year. The County was under budget in revenues in several categories in the General Fund. Ad valorem taxes, bingo taxes, and interest on deposits were the primary categories where revenues did not reach budgeted levels. Ad valorem taxes increased by approximately 9% or \$2,583,910 above 2015. Sales tax revenues exceeded budgeted revenue by \$162,897 and mixed drink taxes exceeded budgeted revenues by \$106,828.

Expenditures in the General Fund increased by \$3,444,308 or about 8% over 2015. The increase was due primarily to a cost of living raise for all employees, additional personnel and higher medical insurance costs for the County.

The fund balance in the County's General Fund increased by \$1,482,823 during the current fiscal year. Key factors in this increase were as follows:

- Increased property values due to new construction.
- Increased sales tax and mixed drink collections.
- Lower than budgeted expenditures due to conservative spending by departments.

The Road and Bridge Fund is the County's second major fund. At December 31, 2016, the Road and Bridge fund reported revenues of \$10,723,299, an increase of \$983,104 or 10% more than the prior year. The increase is due to increases in ad valorem taxes, auto registrations and miscellaneous revenue.

Expenditures in the Road and Bridge Fund increased \$2,403,679 from 2015. The increase was due primarily to higher expenditures for personnel, paving and road building materials and equipment fuel and repairs in 2016.

The fund balance in the Road and Bridge fund increased by \$291,525 during the current fiscal year.

The key factors were as follows:

- Higher property tax collections.
- Higher auto registration fees.
- Lower than budgeted expenditures die to conservative spending by departments.

The Capital Projects Fund is the County's third major fund and is used to account for receipts and disbursements relating to the acquisition or construction of major capital projects. At December 31, 2016, the fund balance decreased \$1,440,525 from the prior year. This is the result of closing out completed projects and the start of new projects.

The Debt Service Fund is used to account for receipts and disbursements relating to the County's long-term bonded debt obligations. At December 31, 2016, the fund balance increased \$3,740,961 from the prior year.

Proprietary funds – Internal service funds provide the same type of information found in the government-wide financial statements, but in more detail. The County has one internal service fund used to report activities that provide services and supplies to the County's other programs and activities.

The Comal County Health Insurance fund reports the activities connected with the County's self-insurance program for employee health insurance. At December 31, 2016, the net position increased \$212,539 or 8% from the prior year.

General Fund Budgetary Highlights

Actual revenues were \$1,052,676 under the budget. The most significant variances between the budget and actual revenues were decreases in ad valorem taxes and interest, and increases in sales and use taxes and mixed drink taxes.

Since the County budgets by line-item, there were 87 budget amendments and line-item transfers during the year which resulted in a \$558,427 increase in the budgeted expenditures for all budgeted funds with \$437,016 decrease in the general fund. Amendments were made to move encumbered amounts forward from the prior year, and new positions and for the purchase of equipment that could not be postponed until the next budget cycle. Line-item transfers were made to cover additional costs that arose in a number of lines. The actual expenditures in the general fund for 2016 were \$2,634,877 below the final amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the County had invested \$167,820,950 in capital assets for its governmental activities. This investment in capital assets includes land, improvements, buildings, intangibles, infrastructure, equipment and vehicles.

Table A-3

Comal County's Capital Assets (net of depreciation)		
	2016	2015
	Governmental Activities	Governmental Activities
Land	\$ 22,308,297	\$ 11,106,726
Buildings	24,299,250	23,048,058
Improvements other than buildings	1,893,681	1,966,428
Furniture, fixtures and equipment	7,728,912	6,249,277
Intangibles	1,678,037	1,541,798
Infrastructure	106,555,193	109,235,043
Construction in process	3,357,580	4,406,144
Net capital assets	<u>\$ 167,820,950</u>	<u>\$ 157,553,474</u>

Major capital asset events during the current year included the following:

- Land totaling \$11,201,571 was acquired.
- The County purchased \$2,416,429 in vehicles and other capital assets for public safety.
- The County spent \$764,826 on new vehicles and road construction equipment.

Additional information on Comal County's capital assets can be found in note 1.D.4. on page 29 and in note 3.C. on page 36.

Long Term Debt

At year-end the County had \$88,976,453 in long-term debt outstanding as shown in Table A-4. More detailed information about the County's debt is presented in the Notes to the Financial Statements in note 3.E. on pages 37 – 43.

Bond Ratings

The County's bonds presently carry "Aaa" ratings with underlying ratings as follows: Moody's Investor Services "Aa2" and Standard & Poors "A".

Table A-4**Comal County's Long Term Debt**

	2016 Governmental Activities	2015 Governmental Activities
Bonds and notes payable	\$ 59,854,090	\$ 49,796,350
Capital leases	138,346	339,992
Compensated absences payable	1,025,836	995,631
Net pension obligation	25,165,348	18,917,214
Net post employment benefit obligation	2,792,833	2,555,330
	<u>\$ 88,976,453</u>	<u>\$ 72,604,517</u>

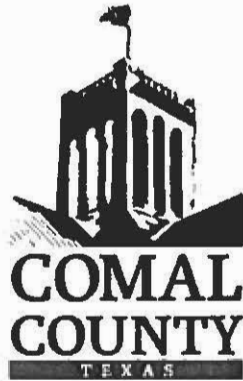
In 2008, the County adopted the provisions of Governmental Accounting Standards Board (GASB) No. 45. The standard requires governmental entities to compute and record current and future obligations of the County's other post employment benefits. An actuarial study of these benefits resulted in an accrual of \$2,792,833 for these current and future benefits in the government-wide financial statements. More information can be found in note 4.E on pages 49 - 52.

ECONOMIC FACTORS

Comal County's unemployment rate decreased to 3.6% at year-end, up from 3.4% at the end of 2015. This is more favorable than the state's average of 4.8% and the national average rate of 4.7%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or separately issued component unit financial statements, or need additional financial information, contact the County Auditor's Office, 150 North Seguin Street, Suite 201, New Braunfels, Texas 78130.



**COMAL COUNTY, TEXAS
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
2016**

BASIC FINANCIAL STATEMENTS

COMAL COUNTY, TEXAS
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 54,881,509	\$ 1,302,599
Investments	24,467,512	-
Receivables (net of allowance for uncollectables):		
Current ad valorem taxes	28,691,146	-
Delinquent ad valorem taxes	802,480	-
Sales and use taxes	2,303,792	-
Miscellaneous	542,781	-
Due from fiduciary funds	93,907	-
Materials & supplies inventory, at cost	264,523	-
Other non-current assets	8,581,070	-
Capital assets (net of accumulated depreciation):		
Land	22,308,297	192,836
Buildings	24,299,250	-
Improvements other than buildings	1,893,681	27,573
Furniture, fixtures and equipment	7,728,912	28,311
Intangibles	1,678,037	-
Infrastructure	106,555,193	-
Construction in process	3,357,580	-
Total assets	<u>288,449,670</u>	<u>1,551,319</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	501,697	-
Pension	11,462,751	-
Total deferred outflow of resources	<u>11,964,448</u>	<u>-</u>
LIABILITIES		
Accounts payable	2,305,245	696
Accrued wages payable	1,346,205	-
Accrued interest payable	810,262	-
Due to other agencies	285,419	-
Unearned revenues	21,327,674	-
Noncurrent liabilities:		
Due within one year	10,424,314	-
Due in more than one year	78,552,139	-
Total liabilities	<u>115,051,258</u>	<u>696</u>
DEFERRED INFLOWS OF RESOURCES		
Current property taxes levied for subsequent period	28,691,146	-
Pension	2,014,689	-
Total deferred outflow of resources	<u>30,705,835</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	129,360,710	248,720
Restricted for:		
Debt service	17,440,086	-
Unrestricted	7,856,229	1,301,903
Total net position	<u>\$ 154,657,025</u>	<u>\$ 1,550,623</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Position	
					Primary Government	Component Unit
Primary government:						
Governmental activities:						
General government	\$ 10,751,403	\$ 4,736,502	\$ -	\$ -	\$ (6,014,901)	\$ -
Justice system	9,130,703	2,270,438	392,451	-	(6,467,814)	-
Public safety	17,622,803	805,672	178,745	-	(16,638,386)	-
Corrections and rehabilitation	11,225,640	531,960	734,990	-	(9,958,690)	-
Health and human services	2,597,322	299,386	329,236	-	(1,968,700)	-
Community and economic development	824,326	83,145	-	-	(741,181)	-
Infrastructure and environment	14,252,947	120,872	52,555	-	(14,079,420)	-
Debt service	1,194,900	-	-	-	(1,194,900)	-
Total governmental activities	67,599,944	8,847,975	1,687,977	-	(57,063,992)	-
Total primary government	\$ 67,599,944	\$ 8,847,975	\$ 1,687,977	\$ -	(57,063,992)	-
Component unit:						
W.O.R.D.	942,680	-	58,436	-	-	(884,244)
Total Component Unit	\$ 942,680	\$ -	\$ 58,436	\$ -	-	(884,244)
General revenues:						
Ad valorem taxes					43,673,986	-
Sales and use tax					12,162,897	1,198,167
Auto registration and title					3,904,113	-
Mixed drink taxes					616,828	-
Bingo taxes					9,266	-
Other Taxes					59,974	-
Intergovernmental / unrestricted					-	-
Interest on deposits					413,482	1,420
Miscellaneous revenue					415,872	-
Gain on sale of capital assets					79,118	-
Total general revenues					61,335,536	1,199,587
Change in net position					4,271,544	315,343
Net position - beginning					150,385,481	1,235,280
Restatement of net position					-	-
Net position - ending					\$ 154,657,025	\$ 1,550,623

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Road and Bridge	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 15,761,936	\$ 6,919,747	\$ 992,943	\$ 19,062,056	\$ 9,312,924	\$ 52,049,606
Investments	19,918,306	2,112,262	-	2,186,334	250,610	24,467,512
Receivables (net of allowance for uncollectables)						
Current ad valorem taxes	19,977,757	4,152,185	-	4,009,207	551,997	28,691,146
Delinquent ad valorem taxes	492,861	135,048	-	155,408	19,163	802,480
Sales and use taxes	2,303,792	-	-	-	-	2,303,792
Miscellaneous	248,315	34,665	-	113,364	146,437	542,781
Due from other funds	662,000	-	-	-	-	662,000
Due from fiduciary funds	93,907	-	-	-	-	93,907
Inventory, at cost	13,074	251,449	-	-	-	264,523
Total assets	\$ 59,471,948	\$ 13,605,356	\$ 992,943	\$ 25,526,369	\$ 10,281,132	\$ 109,877,748
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable - trade	\$ 972,976	\$ 832,029	\$ 14,093	\$ 17,527	\$ 315,989	\$ 2,152,614
Accrued wages payable	1,184,775	147,742	-	-	13,688	1,346,205
Accrued interest payable	-	-	-	254,389	-	254,389
Unearned revenues - ad valorem taxes	111,882	21,836	-	25,650	3,163	162,531
Unearned revenues	14,238,927	2,929,492	-	3,649,752	407,704	21,225,875
Due to other agencies	284,687	12	-	-	720	285,419
Due to other funds	38,257	-	362,000	-	300,000	700,257
Total liabilities	16,831,504	3,931,111	376,093	3,947,318	1,041,264	26,127,290
Deferred inflows of resources:						
Current property taxes levied for subsequent period	19,977,757	4,152,185	-	4,009,207	551,997	28,691,146
Delinquent ad valorem taxes	380,979	113,212	-	129,758	16,000	639,949
Total deferred inflows of resources	20,358,736	4,265,397	-	4,138,965	567,997	29,331,095
Fund balances:						
Non-spendable	13,074	251,449	-	-	-	264,523
Restricted - debt service	-	-	-	17,440,086	-	17,440,086
Restricted - road and bridge	-	5,157,399	-	-	-	5,157,399
Restricted - community services and programs	-	-	-	-	467,839	467,839
Restricted - construction projects	-	-	616,850	-	-	616,850
Restricted - corrections and rehabilitation	-	-	-	-	994,765	994,765
Restricted - elections	-	-	-	-	85,037	85,037
Restricted - environmental preservation	-	-	-	-	467,104	467,104
Restricted - health and human services	-	-	-	-	2,147,914	2,147,914
Restricted - judicial	-	-	-	-	646,556	646,556
Restricted - law enforcement	-	-	-	-	546,048	546,048
Restricted - public safety	-	-	-	-	208,979	208,979
Restricted - records management and preservation	-	-	-	-	1,583,654	1,583,654
Committed - community services & programs	-	-	-	-	4,835	4,835
Committed - environmental preservation	-	-	-	-	15,752	15,752
Committed - judicial	-	-	-	-	26,425	26,425
Committed - law enforcement	-	-	-	-	5,000	5,000
Committed - records management and preservation	-	-	-	-	1,471,963	1,471,963
Unassigned	22,268,634	-	-	-	-	22,268,634
Total fund balances	22,281,708	5,408,848	616,850	17,440,086	8,671,871	54,419,362
Total liabilities and fund balances	\$ 59,471,948	\$ 13,605,356	\$ 992,943	\$ 25,526,369	\$ 10,281,132	\$ 109,877,747

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
December 31, 2016

Total fund balances - governmental funds		\$	54,419,362
Amounts reported for <i>governmental activities</i> in the statement of net Position are different because:			
Capital assets used in governmental activities are expensed in the funds			167,820,950
Payables for bond principal and capital leases which are not due in the current period are not reported in the funds			(58,678,346)
Bond premiums are an other resource in the funds			(1,314,090)
Long-term receivables from TXDOT that are not due in the current period are not reported in the funds			8,581,070
Payables for bond interest which are not due in the current period are not reported in the funds			(555,873)
Compensated absences which are not due in the current period are not reported in the funds			(1,025,836)
Recognition of the County's net pension liability required by GASB Statement No. 68 and the changes in deferred outflows of resources related to the TCDRS liability is not reported in the funds			
	Net pension liability	(25,165,348)	
	Deferred outflows of resources - TCDRS	11,462,751	
	Deferred inflows of resources - TCDRS	<u>(2,014,689)</u>	(15,717,286)
Net post employment benefit obligation is not reported in the funds			(2,792,833)
Deferred amounts on refunding are deferred outflows of resources and, therefore, are not reported in the funds			501,697
Internal service funds assets and liabilities are included in the governmental activities in the statement of net position			2,717,529
Property tax receivable unavailable to pay current year expenditures is deferred in the funds			700,681
Rounding			
Net position of governmental activities - statement of net position		\$	<u>154,657,025</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General Fund	Road and Bridge	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Ad valorem	\$ 29,651,372	\$ 6,309,708	\$ -	\$ 6,831,175	\$ 841,107	\$ 43,633,362
Sales and use	12,162,897	-	-	-	-	12,162,897
Auto registration and title	-	3,904,113	-	-	-	3,904,113
Mixed drink	616,828	-	-	-	-	616,828
Bingo	9,266	-	-	-	-	9,266
Other	59,974	-	-	-	-	59,974
Fees of office	3,774,880	-	-	-	1,429,576	5,204,456
Reimbursements	-	-	-	-	2,398	2,398
Charges for services	2,643,924	375,591	-	-	584,857	3,604,372
Intergovernmental	-	-	-	8,000,000	-	8,000,000
Interest on deposits	296,528	40,945	8,159	41,525	21,870	409,027
Operating grants and contributions	356,621	-	-	-	1,331,356	1,687,977
Capital grants and contributions	-	-	-	-	-	-
Miscellaneous revenue	278,215	92,942	-	-	42,317	413,474
Asset forfeitures	-	-	-	-	39,147	39,147
Total revenues	49,850,505	10,723,299	8,159	14,872,700	4,292,628	79,747,291
EXPENDITURES						
Current:						
General government	9,006,443	-	79,193	-	531,858	9,617,494
Justice system	7,949,007	-	-	-	935,213	8,884,220
Public safety	15,851,639	-	-	-	171,834	16,023,473
Corrections and rehabilitation	9,941,064	-	-	-	915,298	10,856,362
Health and human services	1,479,499	-	-	-	1,032,278	2,511,777
Community and economic development	583,989	-	-	-	71,561	635,550
Infrastructure and environment	916,389	9,213,448	-	-	522,757	10,652,594
Debt service:						
Fiscal charges	-	-	-	3,034	-	3,034
Interest	-	-	-	1,437,059	-	1,437,059
Principal retirement	-	-	-	9,691,646	-	9,691,646
Bond issuance costs	-	-	162,282	-	-	162,282
Capital outlay:	2,691,394	764,826	12,669,491	-	114,071	16,239,782
Total expenditures	48,399,424	9,978,274	12,910,966	11,131,739	4,294,870	86,715,273
Excess (deficiency) of revenues over expenditures	1,451,081	745,025	(12,902,807)	3,740,961	(2,242)	(6,967,982)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	39,859	39,259	-	-	-	79,118
Transfers to other funds	(8,117)	(492,759)	-	-	(30,457)	(531,333)
Transfers from other funds	-	-	-	-	531,333	531,333
Issuance of debt, gross	-	-	11,300,000	-	-	11,300,000
Issuance of debt, premium	-	-	162,282	-	-	162,282
Total other financing sources and uses	31,742	(453,500)	11,462,282	-	500,876	11,541,400
Net change in fund balances	1,482,823	291,525	(1,440,525)	3,740,961	498,634	4,573,418
Fund balances -- beginning	20,798,885	5,117,323	2,057,375	13,699,125	8,173,237	49,845,944
Fund balances -- ending	\$ 22,281,708	\$ 5,408,848	\$ 616,850	\$ 17,440,086	\$ 8,671,871	\$ 54,419,362

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances -- total governmental funds	\$ 4,573,418
Capital outlays are not reported as expenses in the statement of activities	16,239,782
Infrastructure is not reported as an expense in the statement of activities	2,358,525
Contributed capital assets are not reported as an expense in the statement of activities	-
Depreciation of capital assets is not recorded in the funds	(8,330,831)
Repayment of bond principal and capital lease is an expenditure in the funds but a reduction of the liability in the statement of net position	9,691,646
Bond issues are recorded as a current resource in the funds, but as a liability in the statement of net position	(11,300,000)
Bond premiums are amortized in the statement of net position - new debt issue	(162,282)
Bond premiums are amortized in the statement of net position	274,542
Refunding bond gains/losses are capitalized and amortized in the statement of net position	36,598
Payments from TXDOT are recorded as an intergovernmental revenue in the funds but reduced the receivable in the government wide statements	(8,000,000)
Increase in non-current portion of compensated absences is not an expenditure in the funds, but is recorded as a liability in the statement of net position	(227,511)
Property taxes unearned in the funds are recognized as revenue in the statement of activities	40,624
Interest payable is not recorded in the funds. This is the change in the payable to the end of the period	96,335
Net expenses in the internal service funds are reported in the governmental activities	212,539
The change in net pension liability and deferred outflows related to the County's net pension liability is not expensed in the funds. This is the change in this amount this year.	(994,338)
Net post employment benefit expense is not reported in the funds	<u>(237,503)</u>
Change in net position of governmental activities - statement of activities	<u>\$ 4,271,544</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,831,903
Due from other funds	<u>38,257</u>
Total current assets:	<u>2,870,160</u>
Total assets	<u>2,870,160</u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable - trade	<u>152,631</u>
Total current liabilities:	<u>152,631</u>
Total liabilities	<u>152,631</u>
NET POSITION	
Restricted for future claims	<u>2,717,529</u>
Total net position	<u>\$ 2,717,529</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 6,034,050
Reimbursements	<u>247,336</u>
Total operating revenue	<u>6,281,386</u>
OPERATING EXPENSES:	
Medical claims	<u>6,073,302</u>
Total operating expenses	<u>6,073,302</u>
Operating income (loss)	<u>208,084</u>
NONOPERATING REVENUES:	
Interest on deposits	<u>4,455</u>
Total nonoperating revenue	<u>4,455</u>
Change in net position	212,539
Total net position – beginning	<u>2,504,990</u>
Total net position – ending	<u><u>\$ 2,717,529</u></u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided and used	\$ 5,999,465
Reimbursements	247,336
Payments for claims	<u>(6,083,906)</u>
Net cash (used) by operating activities	<u>162,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>4,455</u>
Net cash provided by investing activities	4,455
Net increase (decrease) in cash and cash equivalents	<u>167,350</u>
Balances - beginning of year	<u>2,664,553</u>
Balances - end of the year	<u><u>\$ 2,831,903</u></u>
 Reconciliation of operating income (loss) to	
net cash provided (used) by operating activities:	
Operating income (loss)	\$ 208,084
Changes in assets and liabilities:	
Miscellaneous receivables	-
Interfund receivables	(34,585)
Accounts payable - other	<u>(10,604)</u>
Net cash (used) by operating activities	<u><u>\$ 162,895</u></u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 25,494,325
Investments	728,646
Receivables - miscellaneous	-
Total assets	<u>\$ 26,222,971</u>
LIABILITIES	
Accounts payable - trade	12,814
Miscellaneous payables	1,347,116
Due to participants	500,990
Due to other funds	93,907
Due to other agencies	20,626,348
Cash bond deposits	2,913,150
Trust accounts payable	728,646
Total liabilities	<u>\$ 26,222,971</u>

The accompanying notes are an integral part of this statement.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1. Summary of Significant Accounting Policies:

The financial statements of Comal County, Texas (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) for state and local governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

The County adopted the provisions of GASB Statement #63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement requires governments to account for deferred outflows of resources, deferred inflows resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will also present a Statement of Net Position and changes the caption "Net Assets" to "Net Position". The County has no deferred outflows or inflows of resources in accordance with GASB 63, but the statement titles and captions have been changed in conformity with the statement.

The County adopted the provisions of GASB Statement #65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. At December 31, 2016, the County has \$28,691,146 deferred inflows of resources on the statement of net position, relating to ad valorem taxes that are received or reported as a receivable before the period for which property taxes are available. The County also has \$11,964,448 deferred outflows of resources on the statement of net position, relating to pension charges and a charge related to the General Obligation Refunding Bond, Series 2015. The County's financial reporting has been changed in conformity with the statement.

The County changed accounting policies related to reporting of net pension liability and deferred outflows of resources in the statement of financial position by adopting GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* Accordingly, the effect of the accounting change is reported on the statement of net position and the statement of activities for the current year.

The County adopted the provisions of GASB Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by the state or local government employer or non-employer contribution entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. These pronouncements have been implemented for purposes of measuring the pension liability and deferred outflow/inflows of resources related to pensions, and pension expense/expenditures. Information about fiduciary net position of the County's Texas County & District Retirement System (TCDRS) plans and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, 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.

The County adopted the provisions of GASB Statement #72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures to measure investments at fair value. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

The County adopted the provisions of GASB Statement #77, *Tax Abatement Disclosures*. This statement was issued to improve financial reporting by providing users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users will have a better understanding as to how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition.

A. Reporting Entity

The County of Comal is a political subdivision of the State of Texas and is governed by four Commissioners elected by precinct and a County Judge elected countywide that comprise the Commissioners' Court. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable or for which the nature and significance of the relationship with the County is such that exclusion from the reporting entity's financial statements would be misleading in accordance with GASB 61, *The Financial Reporting Entity: Omnibus*.

Discretely Presented Component Unit

Comal County Water Oriented Recreation District (W.O.R.D.) was created by the Texas legislature and local option vote in 1987 for the purpose of providing a management plan that would encourage responsible use and protection of our natural resources. The W.O.R.D. is governed by a seven-member board appointed by the county commissioners and is funded by a use tax on water-related recreational rentals.

The component unit is discretely presented, rather than blended, because it does not have substantively, the same governing body. The component unit provides a financial benefit to the county by providing services that the county would otherwise have to provide.

Complete financial statements for the component unit may be obtained at the Comal County Auditor's office.

Comal County Auditor
150 North Seguin, Suite 201
New Braunfels, Texas 78130

A statement of net position of the discretely presented component unit is presented below.

COMAL COUNTY, TEXAS COMPONENT UNIT STATEMENT OF NET POSITION December 31, 2016	
	Special District WATER ORIENTED RECREATION DISTRICT
ASSETS	
Cash:	
Cash and cash equivalents	\$ 1,302,599
Capital assets (net of accumulated depreciation)	
Land	192,836
Property improvements	27,573
Furniture, fixtures and equipment	28,311
TOTAL ASSETS	1,551,319
LIABILITIES	
Miscellaneous payables	696
Total liabilities	696
NET POSITION	
Net investment in capital assets	248,720
Unrestricted	1,301,903
Total net position	\$ 1,550,623

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A statement of activities of the component unit is presented below.

COMAL COUNTY, TEXAS
COMPONENT UNIT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2016

	<u>Special District</u>
	<u>WATER ORIENTED RECREATION DISTRICT</u>
Expenses	
General government	\$ 301,086
Public safety	282,810
Health and human services	276,514
Community and economic development	82,270
Total component unit	<u>(942,680)</u>
Program revenues	
Operating grants and contributions	58,436
Total program revenues	<u>58,436</u>
General revenues	
Sales and use tax	1,198,167
Interest on deposits	1,420
Total general revenues	<u>1,199,587</u>
Change in Net position	315,343
Net position - beginning	<u>1,235,280</u>
Net position - ending	<u>\$ 1,550,623</u>

B. Government-wide and Fund Financial Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to persons using or directly benefiting from the services provided by a given function or segment and from grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effect of interfund activity has been eliminated for the government-wide financial statements; however, interfund services provided and used by the County's funds are not eliminated in the process of consolidation.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are

COMAL COUNTY, TEXAS
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earned rather than when received, and their expenses are recognized when they are incurred rather than when actually paid. The measurement focus for proprietary funds is on determination of net income, changes in net position, financial position, and cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The reported fund balance (net current position) is considered a measure of "available spendable resources." Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Thus, the operating statements for the governmental funds are considered to present a summary of sources and uses of "available spendable resources" during a period.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Debt Service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. Expenditures for compensated absences are recorded when they are recognized as expenditures to the extent they have matured.

Those items susceptible to accrual and recognized as revenue are property taxes, interest revenue, grant revenues, and reimbursements due to the County. Fines, permits, and other fees are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary funds, i.e., internal service funds, use accrual basis accounting. Revenues are recognized when earned, and expenses are accounted for using a cost of service measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' balance sheets. Goods or services from such activities can be provided either to outside parties or to other departments or agencies primarily within the County.

The County's policy is to spend restricted funds first and use unrestricted resources when the restricted funds are depleted.

Fiduciary funds use the accrual basis of accounting and are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. Agency funds generally are used to account for assets that the County holds on behalf of others as their agent. Agency funds are custodial in nature and involve no measurement of results of operations.

The County uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities. County resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The County reports the following major governmental funds:

General Fund - The General Fund is the primary reporting fund used to account for the resources used to finance the fundamental operations of the County. It is the basic fund of the County and covers all activities for which a special revenue fund has not been established.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Road and Bridge Fund – The Road and Bridge fund is a Special Revenue Fund used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for the construction and maintenance of roads and bridges within the County and is primarily funded by ad valorem taxes and vehicle registration fees.

Capital Projects Fund – The Capital Projects fund is used to account for the proceeds of debt issues and their expenditures on the approved projects for which the debt was issued.

Debt Service Fund – The Debt Service fund is used to account for the resources accumulated for and the payment of principal and interest on long-term debt of the County.

Additionally, the County reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County currently operates one internal service fund, the Medical Insurance Fund.

Fiduciary Funds – Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. The County uses agency funds to account for assets held in an agent capacity for other governments for which the tax office collects taxes, for monies seized by County law enforcement agencies, trust funds held for individuals, and for restitution owed to others.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

Cash and cash equivalents consists of cash on hand, demand deposits, money market accounts, certificates of deposit, as well as temporary investments with a maturity date of three months from the date acquired by the County.

In accordance with GASB Statement 9, the County has developed a definition of cash equivalents. Cash equivalents are demand deposit account balances, investments in money market accounts, and certificates of deposit, as well as temporary investments with original maturities of three months or less.

State statutes and bond ordinances authorize the County to invest in direct obligations of State and Local Governments (SLGS) and the United States of America. Additionally, there are no differences in the types of investments authorized for different funds, fund types, or component units. Investments may consist of:

- (1) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) Other obligations, the principal and interest 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; and
- (4) 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 an "A" or its equivalent;

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- (5) Certificates of deposit and Share Certificates that are guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or its successor; or the National Credit Union Share Insurance Fund ("NCUSIF") or its successor; or secured in any other manner and amount provided by law for deposits of the County;
- (6) An investment in certificates of deposit made through a depository institution and 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;
- (7) Fully collateralized repurchase agreements, as defined in the Public Funds Investment Act, with a defined termination date, pledged with a third party, and secured by obligations of the United States or its agencies and instrumentalities;
- (8) A bankers' acceptance if it has a stated maturity of 270 days or fewer from the date of issuance, will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank;
- (9) Commercial paper if it has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A-1 or P-1 or an equivalent rating;
- (10) Mutual funds and money market funds with limitations.

Investments for the government, as well as for its component units, are reported at fair value using quoted market prices.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements and are netted in the government-wide financial statements.

A tax lien attaches to the property on January 1st of each year. The tax lien on the property secures the payment of all ad valorem taxes, penalties, and interest imposed on the property for the year. Commissioners' Court sets the County tax rate in September of each year and property taxes are assessed each October 1st.

The property taxes are payable at their stated amount, without penalty and interest, from October 1st in the year they are levied to January 31st of the subsequent year. Taxes collected from February 1st through June 30th are considered past due and are assessed a late payment penalty and interest. On July 1st, any remaining uncollected taxes become delinquent. Thereafter, the County may file suit for collection of the unpaid delinquent taxes, which then become subject to additional penalties and attorney fees. A schedule of tax rates and other pertinent ad valorem tax information is presented as part of the statistical section of this report.

Property tax revenues for financial reporting purposes are recognized when they become available and measurable, as explained in Note 1-C. According to authoritative pronouncements of the Governmental Accounting Standards Board, "available" means collected within the current period or expected to be collected no later than such time not to exceed sixty (60) days, except for the taxes assessed October 1, 2016 which are not available for 2016 operations. The portion of uncollected delinquent property tax receivables at December 31, 2016 in each applicable fund is reported in the liability section of each balance sheet as "unearned tax revenue". Allowances for ad valorem taxes that have not been recognized as delinquent property taxes attach to the property when delinquent.

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3. Inventories

Inventories are valued at cost, which approximate market, generally using the first-in/first-out (FIFO) method. The County has implemented the consumption method to account for inventories. Under this method, inventory items are reported as expenditures when inventories are consumed, rather than when inventories are purchased.

4. Capital Assets

Capital assets include land, right-of-way land, property improvements, buildings, infrastructure (e.g., roads and bridges), and equipment that are used in operations and benefit more than a single fiscal period. Infrastructure assets are long-lived assets that normally are stationary in nature and typically can be preserved for a significantly greater number of years than most capital assets. The County defines capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

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

Capital assets are depreciated over the useful lives of the assets or classes on a straight-line basis as follows:

Buildings and improvements	20 - 40
Machinery and equipment	3 - 10
Infrastructure	
Roadbed	50
Surfacing	20

5. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

All full-time employees are eligible for five days vacation upon the completion of six months of employment and an additional five days upon the completion of their first year of employment. On the date of the six month anniversary the employee shall be credited five days vacation and on the date of the first year anniversary the employee shall be credited with another five days vacation and thereafter, the employee shall accrue earned vacation leave at the rate of 3.076 hours per bi-weekly pay period. All full-time employees who have completed ten years with the County are eligible for fifteen days vacation. On the employee's tenth anniversary, the employee shall be credited with an additional 5 days of vacation and thereafter, the employee shall accrue vacation leave at the rate of 4.620 hours per bi-weekly pay period. Vacation leave for employees with less than ten years service may be accumulated up to 20 days. Employees with ten or more years of service may accumulate up to 30 days. Employees separated from County employment receive termination pay for unused vacation time.

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Sick leave is accrued by full-time employees at the rate of 3.076 hours per bi-weekly pay period after the completion of 30 days of employment. Non-exempt employees may accrue sick leave up to 320 hours. Once 320 hours of accrued sick leave is reached the County will buy back, on a yearly basis, one-half of any leave in excess of 320 hours at the employee's hourly rate. Exempt employees may accrue sick leave up to 640 hours. The County does not buy back any accrued sick leave for exempt employees. A special policy has been established for employees hired prior to January 1, 1997. However, this policy does not materially affect paid leave.

6. 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 are deferred and amortized over the life of the bonds using the effective interest method.

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

7. Fund Balance Classification Policy

The County adopted GASB 54, Governmental Accounting Standards Board Statement Number 54 (GASB 54) "*Fund Balance Reporting and Governmental Fund Type Definitions*." The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- Non-Spendable Fund Balance - includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually. (e.g.: inventory, prepaid items).
- Restricted Fund Balance - includes amounts constrained for a specific purpose by external parties (e.g. Debt Service Fund, Capital Projects Fund, State and Federal grant funds).
- Committed Fund Balance - includes amounts constrained for a specific purpose by the government using its highest level of decision making authority. The County's policy is to approve all commitments by formal resolution of Commissioners Court prior to fiscal year-end to report such commitments in the balance sheet of the respective period even though the amount may be determined subsequent to fiscal year end. A commitment can only be modified or removed by the same formal action.
- Assigned Fund Balance - includes General Fund amounts constrained for a specific purpose by a governing body or by an official that has been delegated authority to assign amounts. When appropriate for fund balance to be assigned, the Commissioners Court retains the responsibility to assign funds. Assignments may occur subsequent to fiscal year end.
- Unassigned Fund Balance - is the residual classification for the General Fund.

The County's policy is to use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but may deviate from this general policy in the event of extraordinary circumstances.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Note 2. Stewardship, Compliance, and Accountability

A. Budgets

Budgeting is an essential element of the financial planning, control, and evaluation processes of the County. Budgets for the County are prepared in conformity with generally accepted accounting principles (GAAP). The County legally adopts budgets for the General Fund, Special Revenue Funds (except Grant Funds and discretionary funds) and Debt Service Funds. Budgets for Grant Funds are established pursuant to grant awards and budgets for Capital Projects are established on a project basis. All annual appropriations, except Grant and Capital Project Funds, lapse at fiscal year end.

The County Judge is the budget officer of Comal County and is assisted in the preparation of the budget documents by the County Auditor. The following procedures are followed in establishing the budgetary data reflected in the financial report:

- 1) The Budget Officer submits to the County Commissioners a proposed operating budget for the following fiscal year commencing the following January. The operational budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) The budget is legally adopted by the Commissioners Court by September 30 each year.

The final approved budget as adopted by the Commissioners' Court is filed with the County Clerk as a matter of public record. The Commissioners Court may amend the budget at any time after it's adopted. All changes in the budget must be by an affirmative vote of a majority of the Commissioners' Court.

The budgets adopted by the County's Commissioners Court set into law the maximum expenditure authorizations that cannot be exceeded legally. Under State statute, the formally adopted budget should not exceed budgeted appropriations in any expenditure category. The legal level of budgetary control is defined as the level at which the Commissioners Court must approve any over-expenditures of appropriations or transfers of appropriated amounts. The County's legal level of budgetary control is the expenditure object level. Any transfers or supplemental appropriations that amend expenditure line items require the approval of a majority of the Commissioners' Court.

Budgets for the General Fund, certain Special Revenue Funds, and Debt Service Funds are adopted on a modified accrual basis in accordance with generally accepted accounting principles. Under state law, the formally adopted budget should not exceed budgeted appropriations in any expenditure category. The legal level of budgetary control is defined as the level at which the Commissioners' Court must approve any over-expenditures of appropriations or transfers of appropriated amounts. The County's legal level of budgetary control is the object level. Any transfers or supplemental appropriations that amend object level items require the approval of a majority of the Commissioners' Court. Any amendments to the budget must be within the revenues and reserves estimated as available or the revenues estimates must be changed by an affirmative vote of a majority of the members of Commissioners' Court. During the year, several supplemental appropriations were necessary.

A number of Special Revenue Funds do not have annually adopted budgets. State statutes establishing who has control of and the purposes for which the funds can be used generally govern these funds. The revenues in these funds cannot be sufficiently anticipated in order to establish a viable budget.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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The following Special Revenue Funds did not have formally adopted budgets:

Special Drug Court Program	County Drug Court Program
County Accountability Court Program	Fire Code Enforcement Fund
Health Department Services	Criminal District Attorney Hot Check Fund
Sheriff's Federal Asset Sharing Fund	Jail Commissary Fund
Election Services Contract Fund	Elections Chapter 19 Fund
Comal County Juvenile Board Fund	District Clerk's A. G. Child Support Fund
Justice Court Technology Fund	Justice of the Peace Court Security Fund
Probate Education Fund	Habitat Conservation Projects Fund
Court Records Preservation Fund	County and District Technology Fund
Constables' Forfeiture Fund	Constable Pct #4 Federal Asset Sharing Fund
Disaster Recovery Fund	County Court at Law Records Management Fund
District Court Archive Fund	Criminal District Attorney Bond Commission Fund
Alternative Dispute Resolution	TCLEOSE Training Fund
Sheriff's Miscellaneous Forfeiture Fund	

B. Deficit Fund Equity

As of December 31, 2016, the following funds had deficit fund equity due to accrual of accounts payable invoices through December 31, 2016. These deficits will be liquidated in 2017.

<u>Fund</u>	<u>Deficit</u>
Jury Fund	\$ 245,517
DSHS Emergency Preparedness Grant	26,492
BOJ Law Enforcement Assistance Grant	15,411
Vitals Records Preservation Fund	8,037
TIDC Indigent Defense Grant	7,620
DSHS CPS/OT Unique	2,464
Increasing Accountability for CCAC	866
Criminal Justice Division Felony Drug Court Grant	649

C. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary control. Significant encumbrances outstanding at year-end are represented in aggregate within the respective fund balance category (restricted or committed) on the face of the balance sheet.

COMAL COUNTY, TEXAS
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	General Fund	Road and Bridge	Capital Projects	Nonmajor Governmental Funds	Total
Outstanding encumbrances:					
General government	\$ 40,155	\$ -	\$ 124,163	\$ -	\$ 164,318
Justice system	1,041	-	-	44,090	45,131
Public safety	18,827	-	-	-	18,827
Corrections and rehabilitation	9,233	-	-	378	9,611
Health and human services	-	-	-	-	-
Community and economic development	9,173	-	-	-	9,173
Infrastructure and environment	200	640,868	-	-	641,068
Capital equipment	203,230	-	-	-	203,230
Total encumbrances	\$ 281,859	\$ 640,868	\$ 124,163	\$ 44,468	\$ 1,091,358

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

County

Investments: As of December 31, 2016, Comal County had the following investments:

	Fair Market Value			Weighted Average Maturity (In Years)
		Investments		
	Cash Equivalents	Short- Term	Long- Term	
Money Market Accounts	\$ 45,377,954	\$ -	\$ -	N/A
Certificates of Deposit	-	728,646	2,223,470	1.35
FNMA	-	-	494,456	2.57
Local Governments	-	-	21,749,586	0.84
Total investments	45,377,954	<u>\$ 728,646</u>	<u>\$ 24,467,512</u>	
Cash in banks and on hand, book	34,997,880			
	<u>\$ 80,375,834</u>			

Fair Value Measurement:

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All the County's investments carried at fair value are valued using quoted market prices (Level 1 inputs).

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

behalf of the County, an investment pool must be continuously rated no lower than AAA or AAA-m or of an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the United States government and does not require that these investments be rated. The County's policy complies with state law and at year end all of the County's investments met the State's requirements.

Custodial Credit Risk

Deposits – This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. The County's policy requires that the depository provide sufficient collateral to cover the County's deposits and that the collateral be held by the Federal Reserve Bank in Comal County's name. As of December 31, 2016, Frost Bank had \$90,224,312 in U. S. Bonds and Agencies which were held by the Federal Reserve in Comal County's name.

Investments – This is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The County's investment policy requires that all purchased securities shall be held in safekeeping by the County, or a County account in a third party financial institution, or with the Federal Reserve Bank, all certificates of deposit, insured by the FDIC, or share certificates, insured by the NCUSIF, purchased outside the Depository Bank shall be held in safekeeping by the County, or a County account in a third party financial institution, and all pledged securities by the depository bank shall be held in safekeeping by the County or with a Federal Reserve Bank.

Concentration of Credit Risk

The County's investment policy requires the diversification of its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its investment time horizons by averaging investment maturities and chooses to present its exposure of interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the County manages its interest rate risk by limiting the weighted average maturity of any investment owned by the County to a maximum of two years. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The County's exposure to interest rate risk at December 31, 2016 is summarized in the above table as the days to maturity.

Component Unit Cash

Deposits: At December 31, 2016, the carrying amount of the Component Unit's demand deposits was \$1,302,599. All amounts were covered by federal depository insurance or collateralized with securities held by the Component Unit's name.

COMAL COUNTY, TEXAS
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B. Receivables/Unearned Revenue/Deferred Inflows

Receivables at December 31, 2016 for the County's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Road and Bridge	Debt Service	Nonmajor and Other Funds	Total
Ad valorem taxes	\$ 20,655,618	\$ 4,287,233	\$ 4,164,615	\$ 571,160	\$ 29,678,626
Allowance for doubtful accounts	(185,000)	-	-	-	(185,000)
Sales taxes	2,303,792	-	-	-	2,303,792
Miscellaneous	248,315	34,665	113,364	146,437	542,781
Total receivables	<u>\$ 23,022,725</u>	<u>\$ 4,321,898</u>	<u>\$ 4,277,979</u>	<u>\$ 717,597</u>	<u>\$ 32,340,199</u>

Governmental funds unearned revenue at year-end consisted of the following:

	Fund	Unearned Amount
Net tax revenue	General	\$ 111,882
Other	"	14,238,927
"	Road and Bridge	2,929,492
Net tax revenue	"	21,836
"	Special Revenue	3,163
Other	"	407,704
Net tax revenue	Debt Service	25,650
Other	"	3,649,752
Total unearned revenue		<u>\$ 21,388,406</u>

Governmental funds deferred inflows – property taxes at year-end were as follows:

	Fund	Deferred Inflow Amount
Net tax revenue	General	\$ 20,358,736
Net tax revenue	Road and Bridge	4,265,397
Net tax revenue	Special Revenue	567,997
Net tax revenue	Debt Service	4,138,965
Total deferred inflows - property tax		<u>\$ 29,331,095</u>

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C. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,106,726	\$ 11,201,571	\$ -	\$ 22,308,297
Construction in process	4,406,144	376,248	(1,424,812)	3,357,580
Total capital assets, not being depreciated	<u>15,512,870</u>	<u>11,577,819</u>	<u>(1,424,812)</u>	<u>25,665,877</u>
Capital assets, being depreciated:				
Buildings	34,823,511	2,261,961	-	37,085,472
Improvements other than buildings	3,059,967	91,058	-	3,151,025
Furniture, fixtures, and equipment	25,555,221	3,459,790	(795,486)	28,219,525
Intangibles	1,893,683	273,966	-	2,167,649
Infrastructure	227,280,979	2,358,525	-	229,639,504
Total capital assets, being depreciated	<u>292,613,361</u>	<u>8,445,300</u>	<u>(795,486)</u>	<u>300,263,175</u>
Less accumulated depreciation for:				
Buildings	(11,775,453)	(1,010,769)	-	(12,786,222)
Improvements other than buildings	(1,093,539)	(163,805)	-	(1,257,344)
Furniture, fixtures, and equipment	(19,305,944)	(1,980,155)	795,486	(20,490,613)
Intangibles	(351,885)	(137,727)	-	(489,612)
Infrastructure	(118,045,936)	(5,038,375)	-	(123,084,311)
Total accumulated depreciation	<u>(150,572,757)</u>	<u>(8,330,831)</u>	<u>795,486</u>	<u>(158,108,102)</u>
Total capital assets, being depreciated, net	<u>142,040,604</u>	<u>114,469</u>	<u>-</u>	<u>142,155,073</u>
Governmental activities capital assets, net	<u>\$ 157,553,474</u>	<u>\$ 11,692,288</u>	<u>\$ (1,424,812)</u>	<u>\$ 167,820,950</u>

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

Governmental activities:	
General government	\$ 938,092
Justice system	63,774
Public safety	1,146,149
Corrections and rehabilitation	192,807
Health and human services	24,951
Community and economic development	177,838
Infrastructure and environmental services	<u>5,787,220</u>
Total depreciation expense - governmental activities	<u>\$ 8,330,831</u>

D. Interfund Receivables, Payables, and Transfers

Due to / from other funds:

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent year. The following is a summary of amounts due from and due to other funds at December 31, 2016:

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Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds-		
	Capital Projects	362,000	Advancement of funds to cover expenditures
	Jury Fund	300,000	Advancement of funds to cover expenditures
		<u>662,000</u>	
General Fund	Agency-Escrow Fund	93,907	Charges for services not transferred at year-end
Internal Service Fund	General Fund	38,257	Payroll deductions not transferred at year-end
Total		<u>\$ 794,164</u>	

Interfund transfers:

The following is a summary of the County's transfers for the year ended December 31, 2016:

Transfer From	Transfer To	Amount	Purpose
General Fund	Other governmental		
	Special Revenue		
	One Time Grants	\$ 8,117	Fund additional personnel costs.
Road and Bridge	Land Acquisition	492,759	Funds to purchase right of way.
Other governmental	Other governmental		
Special Revenue	Special Revenue		
Sheriff's Chapter 59 Forfeiture	Sheriff's Misc. Forfeiture Fund	30,457	Separation of Forfeiture Funds.
Total		<u>\$ 531,333</u>	

E. Long-term Debt

General Obligation Bonds, Certificates of Obligation and Tax Notes Payable are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 25-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year.

Certificates of Obligation. Certificates of Obligation are issued by the vote of Commissioners Court as allowed under the Certificates of Obligation Act. The County currently has two (2) series of notes payable outstanding.

Series 2007. On August 2, 2007, the Commissioners' Court of Comal County approved passage of orders authorizing the issuance of certificates of obligation in an aggregate amount not to exceed \$20,200,000. The purpose being the purchase of right of way for the State Highway 46 TXDOT pass through project, Schwab Road realignment, expansion of the JP #3 offices to provide office space for Adult Probation officers, land acquisition for conservation purposes and parks, courthouse restoration, Dry Comal Creek flood retarding structures, and the purchase of land and construction of a new justice center. The order awarding the sale of \$20,190,000 Certificates of Obligation, Series 2007 was approved on August 9, 2007. Closing and delivery of the certificates occurred on September 6, 2007.

The 2007 Certificates of obligation currently outstanding are as follows:

Purpose	Interest Rate	Amount
General government	4.25% - 5.75%	\$ 225,000
		<u>\$ 225,000</u>

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Annual debt service requirements to maturity for Series 2007 certificates of obligation are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 225,000	\$ 4,781
Total	<u>\$ 225,000</u>	<u>\$ 4,781</u>

General Obligation Refunding Bonds.

In September 2015, General Obligation Refunding Bonds, Series 2015 in the amount of \$15,485,000 were issued. Comal County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2007 dated August 1, 2007 in the original principal amount of \$15,500,000 and stated to mature on February 1 in each of the years 2017 through 2023 and February 1, 2028 in the principal amount of \$15,150,000 will be redeemed on February 1, 2016. This refunding produced a gross savings of \$2,321,255, including the County's cash contribution of \$46,406 and a Net Present Value benefit of \$1,952,745.

The 2016 General obligation refunding bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	1.00% - 3.00%	\$ 15,325,000
		<u>\$ 15,325,000</u>

Annual debt service requirements to maturity for Series 2016 general obligation refunding bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 920,000	\$ 360,450
2018	1,170,000	339,550
2019	1,200,000	315,850
2020	1,220,000	291,650
2021	1,240,000	267,050
2022 - 2026	6,650,000	890,825
2027 - 2028	2,925,000	88,425
Total	<u>\$ 15,325,000</u>	<u>\$ 2,553,800</u>

Combination Limited Tax and Revenue Bonds. The County issued combination limited tax and revenue bonds pursuant to a Pass-Through Toll Agreement between the County and the Texas Department of Transportation (TxDot), an agency of the State of Texas, with retirement of the bond principal to be from ad valorem taxes and payments from TxDot and the interest to be from County taxes and revenues and for the purchase of land. The combination limited tax and revenue bonds are an obligation of the County and the County is liable for the repayment of the bonds whether or not TxDot makes the agreed payments to the County.

On February 26, 2009 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Combination Limited Tax and Revenue Bonds, Series 2009' in the amount of \$16,070,000. These bonds, dated February 1, 2009 were issued March 17, 2009. The proceeds were

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transferred to the Texas Department of Transportation for the purpose of widening State Highway 46 in Comal County, Texas.

The 2009 bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	3.00% - 5.25%	\$ 8,040,000
		<u>\$ 8,040,000</u>

Annual debt service requirements to maturity for Series 2009 combination limited tax and revenue bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,680,000	\$ 294,800
2018	2,680,000	201,000
2019	2,680,000	107,200
Total	<u>\$ 8,040,000</u>	<u>\$ 603,000</u>

On July 23, 2012 the Commissioners Court passed an order authorizing the issuance of 'Comal County, Texas, Combination Limited Tax and Revenue Bonds, Series 2012' in the amount of \$14,855,000. These bonds, dated August 1, 2012 were issued August 21, 2012. The proceeds were transferred to the Texas Department of Transportation for the purpose of widening State Highway 281 in Comal County, Texas.

The 2012 bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	2.50% - 4.00%	\$ 12,375,000
		<u>\$ 12,375,000</u>

Annual debt service requirements to maturity for Series 2012 combination limited tax and revenue bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,475,000	\$ 413,250
2018	2,475,000	339,000
2019	2,475,000	264,750
2020	2,475,000	190,500
2021	2,475,000	91,500
Total	<u>\$ 12,375,000</u>	<u>\$ 1,299,000</u>

On October 20, 2016 the Commissioners Court passed an order authorizing the issuance of 'Comal County, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2016' in the amount of \$11,300,000. These bonds, dated October 15, 2016 were issued November 17, 2016. The proceeds were used to purchase land.

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The 2016 bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	3.00%	\$ 11,300,000
		<u>\$ 11,300,000</u>

Annual debt service requirements to maturity for Series 2016 combination limited tax and revenue bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 100,000	\$ 257,989
2018	200,000	322,000
2019	250,000	317,500
2020	500,000	310,000
2021	500,000	295,000
2022 - 2026	4,750,000	994,375
2027 - 2031	5,000,000	291,875
Total	<u>\$ 11,300,000</u>	<u>\$ 2,788,739</u>

Tax Notes. The County issued tax notes pursuant to authority granted to the County by Chapter 1431, as amended, Texas Government Code, and an order adopted by the County's Commissioners Court.

On June 23, 2011 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Tax Notes, Series 2011 in the amount of \$13,435,000. These notes, dated June 1, 2011 were issued July 26, 2011. The proceeds of the notes will be used for the purpose of purchasing technology improvements, rights-of way for road improvements, and costs related to the County's flood control system.

The 2011 tax notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	2.00% - 4.00%	\$ 4,555,000
		<u>\$ 4,555,000</u>

Annual debt service requirements to maturity for Series 2011 tax notes are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,205,000	\$ 121,563
2018	2,350,000	47,000
Total	<u>\$ 4,555,000</u>	<u>\$ 168,563</u>

On October 23, 2014 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Tax Notes, Series 2014 in the amount of \$4,550,000. These notes, dated October 15, 2014 were issued November 13, 2014. The proceeds of the notes will be used for the purpose of purchasing financial software, land, new building construction, repairs and remodeling of an existing building and payment of professional services related to the aforementioned projects and the issuance of the debt.

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The 2014 tax notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	0.35% - 1.65%	\$ 3,850,000
		<u>\$ 3,850,000</u>

Annual debt service requirements to maturity for Series 2014 tax notes are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 735,000	\$ 41,444
2018	750,000	36,235
2019	770,000	28,774
2020	790,000	18,892
2021	805,000	6,641
Total	<u>\$ 3,850,000</u>	<u>\$ 131,986</u>

On June 18, 2015 the Commissioners' Court passed an order authorizing the issuance of 'Comal County, Texas, Tax Notes, Series 2015 in the amount of \$3,300,000. These notes, dated June 1, 2015 were issued July 16, 2015. The proceeds of the notes will be used for the purpose of purchasing voting equipment, land, buildings, renovations of County-owned facilities and professional services related to the aforementioned projects.

The 2015 tax notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General government	1.89%	\$ 2,870,000
		<u>\$ 2,870,000</u>

Annual debt service requirements to maturity for Series 2015 tax notes are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 450,000	\$ 49,991
2018	465,000	41,344
2019	470,000	32,508
2020	485,000	23,483
2021	495,000	14,222
2022	505,000	4,772
Total	<u>\$ 2,870,000</u>	<u>\$ 166,320</u>

Capital Leases. In 2012 the County entered into a five year agreement with the Comal Independent School District for the lease/purchase of an unused school building to provide additional office space for the County.

Commitments under capitalized lease agreements for facilities provide for minimum future lease payments as of December 31, 2016, as follows:

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<u>Year Ending December 31</u>	<u>Principal</u>
2017	\$ 140,222
Total lease payments	140,222
Less amount representing interest	(1,876)
Net present value	<u>\$ 138,346</u>

The effective interest rate on capital leases was 3.5%.

The total assets acquired under capital leases cost \$963,500 and have accumulated depreciation of \$221,083 at December 31, 2016.

Changes in Bonded Debt and Other Long-Term Obligations.

Long-term liability activity for the year ended December 31, 2016, was as follows:

<u>Type of Debt</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Certificates of obligation					
Series 2007	\$ 1,175,000	\$ -	\$ 950,000	\$ 225,000	\$ 225,000
General obligation refunding bonds, Series 2015	15,485,000	-	160,000	15,325,000	920,000
Combined limited tax and revenue bonds, Series 2009	10,720,000	-	2,680,000	8,040,000	2,680,000
Combined limited tax and revenue bonds, Series 2012	14,855,000	-	2,480,000	12,375,000	2,475,000
Combined limited tax and revenue bonds, Series 2016	-	11,300,000	-	11,300,000	100,000
Tax Notes					
Series 2011	6,645,000	-	2,090,000	4,555,000	2,205,000
Series 2014	4,550,000	-	700,000	3,850,000	735,000
Series 2015	3,300,000	-	430,000	2,870,000	450,000
Bond premiums	1,426,350	162,282	274,542	1,314,090	283,107
Total bonds payable	58,156,350	11,462,282	9,764,542	59,854,090	10,073,107
Capital leases	339,992	-	201,646	138,346	138,346
Compensated absences payable	995,631	282,314	252,109	1,025,836	212,861
Net pension liability	18,917,214	6,248,134	-	25,165,348	-
Net post employment benefit obligation	2,555,330	237,503	-	2,792,833	-
Governmental activity					
long-term liabilities	<u>\$ 80,964,517</u>	<u>\$ 18,230,233</u>	<u>\$ 10,218,297</u>	<u>\$ 88,976,453</u>	<u>\$ 10,424,314</u>

Debt payments are made from the debt service fund. Other long-term liabilities are primarily liquidated from the General fund and Road and Bridge fund.

Conduit Debt

Comal County issued certificates of obligation on behalf of Bulverde Area Rural Library District and the Canyon Lake Community Library District to construct libraries in the County. The bonds are to be repaid solely from sales taxes and other revenue of the Districts. The County considers the certificates to be a debt of the Districts rather than debt of the County. Therefore these certificates of obligation have been excluded from the County's financial statements in order to avoid misrepresenting the nature of the

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certificates and distorting the County's financial statements. The certificates outstanding at December 31, 2016 were \$2,210,000 and mature September 1, 2022 for the Bulverde Area Rural Library District and \$2,755,000 and mature September 1, 2039 for the Canyon Lake Community Library District.

Note 4. Other Information

A. Risk Management

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. In accordance with GASB Statement No. 10, we make the following disclosures regarding the County's risk management program.

1. Types of Risk

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the County carries commercial insurance. The County participates as a member of the Texas Association of Counties' County Government Risk Management Pool. As a member of the Risk Management Pool, the County maintains coverage for General Liability, Public Officials Liability, Law Enforcement Liability, Auto Liability, and Workers Compensation pursuant to the provisions of Chapter 119 of the Texas Local Government Code.

The County established a self-funded health insurance plan in 1995, which is recorded as an internal service fund, but this does not constitute a transfer of risk from the County. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross and Blue Shield of Texas, Inc., a commercial carrier licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

2. Insurance Coverage

Insurance is purchased from the Texas Association of Counties' County Government Risk Management Pool and the commercial market for exposures which are difficult to self-insure, or where analysis suggests the cost/benefit is appropriate.

There were no significant changes in commercial coverages; however, there were significant changes in retentions and limits during the fiscal year. Settled claims have not exceeded the commercial coverages above in any of the three previous years.

B. Contingent Liabilities and Litigation

The County is the recipient of several federal and state grant programs, which have guidelines that require compliance with numerous statutes and regulations. Amounts received or receivable from grantor agencies and the amounts expended by the County are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Noncompliance with the regulations could have an effect on the allowability of program expenditures. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

In addition, the County is a defendant in various outstanding lawsuits that have not been resolved as of December 31, 2016. However, in the opinion of the management and outside council, the resolution of these matters, if decided adversely, will not have a material adverse effect on the financial condition of the County.

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C. Health Care Coverage

Effective October 1, 1995, the County established a self-funded health insurance plan, which is recorded as an Internal Service Fund. This fund accounts for the health insurance risk financing activities of the County but does not constitute a transfer of risk from the County. The County pays the employee premium, currently \$741.63 per employee per month to the fund, and employees, at their option, authorize payroll withholdings to pay premiums for dependents. A third party administers the plan and the contract is renewable annually in October.

The County allows employees who retire under the rule of 75 to stay on the County's insurance until they reach the age of 65. Retirees who opt to stay on the County's insurance pay \$641.63 per month in premiums. At the age of 65 retirees must leave the County's insurance. Upon presentation of proof of premium payment for supplemental insurance from a County specified company, the County will reimburse the retiree \$100 per month. Currently there are seven retirees on the County's insurance and thirty retirees over 65 receiving the \$100 monthly premium supplement.

In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross and Blue Shield of Texas, Inc., a commercial carrier licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and \$6,613,666 for aggregate loss. In addition, the contract with Blue Cross and Blue Shield of Texas provides for a termination clause. This clause provides that the County, at termination of the plan, pays a fee to the carrier and is not liable for future unreported health claims. The fee is calculated based upon the number of employees and dependents covered. Had the plan been terminated at December 31, 2016, the fee would have been \$1,191,168.

Following is a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior year:

	<u>2016</u>	<u>2015</u>
Claims payable, January 1	\$ 163,235	\$ 225,977
Claims incurred	5,910,067	6,598,307
Claims paid	<u>5,920,671</u>	<u>6,661,049</u>
Claims payable, December 31	<u>\$ 152,631</u>	<u>\$ 163,235</u>

Claims payable are estimated based upon one-month's subsequent claims paid. Any potential unfunded claim benefit obligations will be funded through rate adjustments and future contributions generated.

There were no significant changes in coverages, retentions, or limits during the fiscal year.

D. Employee Pension Plan

Plan Description

Comal County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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Benefits Provided

The plan provisions are adopted by the Commissioners' Court of Comal County, within the options available in the Texas state statutes governing TCDRS (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 of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and County-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court of Comal County within the actuarial constraints imposed by the TCDRS Act so that 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 deposits and the County-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms:

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	265
Inactive employees entitled to but not yet receiving benefits	296
Active employees	<u>611</u>
Total	<u><u>1,172</u></u>

Contributions

The contributions rates for employees in TCDRS are either 4%, 5%, 6% or 7% of employees gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available to the TCDRS Act.

Comal County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually and it was 10.78% for the calendar year 2016. The deposit rate payable by the employee members is the rate of 7% as adopted by the Commissioners' Court of Comal County. The Commissioners' Court, within the options available in the TCDRS Act, may change the employee deposit rate and the County contribution rate.

For the County's accounting year ending December 31, 2016, the annual pension cost for the TCDRS Plan for its employees was \$3,199,327 and the actual contributions were \$3,199,327.

Net Pension Liability

Comal County's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The December 31, 2015 actuarial valuation is the most recent valuation.

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Actuarial Valuation Information

The Total Pension Liability in the December 31, 2015 actuarial valuations was determined using the following actuarial methods and assumptions:

Actuarial Valuation Information

Actuarial valuation date	12/31/2015
Actuarial method	entry age normal
Amortization method	level percentage of payroll, closed
Amortization period	14.0
Asset valuation method	SAF: 5-yr smoothed value ESF: Fund value
Actuarial Assumptions:	
Investment return ¹	8.00%
Projected salary increases ¹	4.9%
Inflation	3.0%
Cost-of-livings adjustments	0.0%

¹ Includes inflation at the stated rate

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. Mortality rates for active members were based on gender-distinct RP2000 Active Employee Mortality Table, with a projection scale AA, a two year set-forward for males, and a four-year set-back for females. Mortality rates for retirees, beneficiaries, and non-active members were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with the projection scale AA, with a one year set-forward for males and no age adjustment for females. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with the projection scale AA, no age adjustment for males, and a two year set-forward for females.

The long-term expected rate of return on pension plan investments is 8.1%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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 TCRS's investment consultants and are based on January 2016 information for a 7-10 year time horizon.

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Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Inflation)
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Commodities	0.00%	0.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	<u>25.00%</u>	5.25%
Total	100.00%	

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2014	\$ 104,979,422	\$ 86,062,208	\$ 18,917,214
Changes for the year:			
Service cost	3,953,628	-	3,953,628
Interest on total pension liability ¹	8,533,330	-	8,533,330
Effect of plan changes	(815,650)	-	(815,650)
Effect of economic/demographic gains or losses	(2,518,361)	-	(2,518,361)
Effect of assumptions changes or inputs	1,409,835	-	1,409,835
Refund of contributions	(345,910)	(345,910)	-
Benefit payments	(3,446,526)	(3,446,526)	-
Administrative expenses	-	(62,177)	62,177
Member contributions	-	1,901,837	(1,901,837)
Net investment income	-	(639,817)	639,817
Employer contributions	-	2,936,980	(2,936,980)
Other ²	-	177,826	(177,826)
Balances as of December 31, 2014	<u>\$ 111,749,768</u>	<u>\$ 86,584,421</u>	<u>\$ 25,165,347</u>

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

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

³ Relates to allocation of system-wide items.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

	1% <u>Decrease</u> 7.10%	Current <u>Discount Rate</u> 8.10%	1% <u>Increase</u> 9.10%
Total pension liability	\$ 128,543,535	\$ 111,749,769	\$ 98,012,212
Fiduciary net position	86,584,421	86,584,421	86,584,421
Net pension liability / (asset)	<u>\$ 41,959,114</u>	<u>\$ 25,165,348</u>	<u>\$ 11,427,791</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2016, Comal County recognized pension expense of \$4,193,664.

At December 31, 2015, Comal County reported deferred outflows and deferred inflows of resources related to pensions from the following resources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual economic experience	\$ 2,014,689	\$ 275,965
Changes of assumptions	-	1,127,868
Net difference between projected and actual earnings	-	6,859,591
Contributions made subsequent to measurement date	-	3,199,327
Total	<u>\$ 2,014,689</u>	<u>\$ 11,462,751</u>

Comal County reported \$3,199,327 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 1,619,204
2017	1,619,204
2018	1,619,204
2019	1,391,122
2020	-
Thereafter	-
Total	<u>\$ 6,248,734</u>

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Each qualified employee is included in the retirement plan in which the County participates. The County participates in the Texas County and District Retirement System (TCDRS). The County does not maintain the accounting records, hold the investments, or administer the retirement plan. The total of the County's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2016 and the pension expense for the year ended is as follows:

Net pension liability	\$ 25,165,347
Deferred outflows of resources	11,462,751
Deferred inflows of resources	2,014,689
Pension expense	4,193,664

Supplemental Death Benefits Fund

Plan Description

Comal County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County District Retirement System (TCDRS). This plan is referred to as the Optional Group Term Life Fund (OGTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The OGTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the OGTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, Texas 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the OGTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing on-year term life insurance. Comal County's contributions to the OGTLF for the years ended December 31, 2016, 2015, and 2014, were \$94,971, \$86,941, and \$80,099 respectively, which equaled the contractually required contributions each year.

E. Other Post Employment Benefits

Plan Description

Comal County Commissioners' Court established a medical insurance benefit plan for retirees in 2001. Employees of the County who retire after December 31, 2002 under TCDRS retirement rules (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) are eligible. Continuation of insurance election must be made within thirty (30) days of the employee's separation. The County will pay a maximum of \$100 per month towards the cost of the medical/prescription drug plan for the retiree. The right to the supplement from the County is forfeited in the event the coverage is ever dropped and cannot be reinstated. Furthermore, the Commissioners' Court reserves the right to terminate this plan at any time.

Retirees under the age of sixty-five (65) may remain on the County's Blue Cross/Blue Shield medical/prescription drug plan until they reach age 65 as long as the retiree pays the required annually

COMAL COUNTY, TEXAS
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December 31, 2016

determined premium each month. Spouses of retired employees and children under age 25 may also remain on the plan provided they pay their monthly premium. The County will pay a maximum of \$100 per month towards the cost of the medical/prescription drug plan for the retiree. The County does not pay any amount towards the spouse or dependent premiums. There are currently seven (7) retirees under age 65.

Retirees over the age of sixty-five (65) may participate in the County's Silver Choice plan (a separate Medicare Supplement medical/prescription drug plan through Aetna and administered through the Texas Association of Counties) provided the retiree pays the required annually determined premium each month. The County will pay a maximum of \$100 per month towards the cost of the medical/prescription drug plan for the retiree. The County does not pay any amount towards the spouse or dependent premiums. There are currently thirty (30) retirees over age 65.

Funding Policy

Comal County is under no legal obligation to pay these supplements, and the decision to rescind these benefits may be made by a resolution of the Commissioners Court at any time. The County's authority to establish and amend benefit provisions comes from Local Government Code Section 157.1010.

There are a total of five (5) retirees and two (2) surviving spouses on the County's insurance. Expenses for post-employment benefits were recognized on a pay-as-you-go basis in the past. Premiums paid by retirees during the year ended December 31, 2016 were \$28,959 and the County paid \$30,000 in supplements to retirees.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's OPEB obligation.

	2014	2015	2016
Annual required contributions (ARC)	\$ 266,665	\$ 289,765	\$ 356,006
Interest on net OPEB obligation	101,275	93,933	102,213
Adjustment to ARC	(356,158)	(40,529)	(99,573)
Annual pension cost	11,782	343,169	358,646
Contributions made	(27,069)	(23,100)	(121,143)
Increase (decrease) in NPO	(15,287)	320,069	237,503
Net OPEB obligation beginning of year	2,250,548	2,235,261	2,555,330
Net OPEB obligation end of year	<u>\$ 2,235,261</u>	<u>\$ 2,555,330</u>	<u>\$ 2,792,833</u>

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

The County's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending December 31, 2016 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Beginning</u>	<u>Change to Net OPEB Obligation</u>	<u>Net OPEB Obligation Ending</u>
12/31/2014	\$ 11,782	229.7%	\$ 2,250,548	\$ (15,287)	\$ 2,235,261
12/31/2015	343,169	6.7%	2,235,261	320,069	2,555,330
12/31/2016	358,646	33.8%	2,555,330	237,503	2,792,833

Funded Status and Funding Progress

The funding status of the County's retiree health care plan, under GASB Statement No. 45, is as follows:

Schedule of Funding Progress for Comal County
Retired Employee Healthcare Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/2012	\$ -	\$ 2,416,692	\$ 2,416,692	0.00%	\$ 23,534,115	10.27%
12/31/2014	-	2,235,261	2,235,261	0.00%	24,664,562	9.06%
12/31/2016	-	3,480,093	3,480,093	0.00%	28,651,608	12.15%

Under the reporting parameters, the County's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by 3,480,093 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 12.15%.

Actuarial Methods and Assumptions

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

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

COMAL COUNTY, TEXAS
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December 31, 2016

Actuarial Methods and Assumptions

Inflation rate	2.5% per annum
Investment rate of return	4.00% per annum, net of expenses
Actuarial cost method	Entry age normal cost method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Medical trend	Initial rate of 7.5%, declining to an ultimate rate of 4.25% after 15 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional Disclosures

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 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. Comal County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current "pay-as-you-go" basis for a single fiscal year through an annual appropriation authorized by Commissioners Court during the County's annual budget adoption process.

GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) 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.

The County implemented GASB 45 during fiscal year 2008. Accordingly, 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 and does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

COMAL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

F. Tax Incentives

Comal County negotiates tax abatement agreements pursuant to Chapter 381 of the Texas Local Government Code and Chapter 311 of the Texas Tax Code on an individual basis. The County has tax abatement agreements with eight (8) entities as of December 31, 2016:

Purpose	Tax Type	Texas Local Government / Tax Code	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Long term economic development-retail	Sales Tax	Section 381	50%	\$ 951,601
Long term economic development-retail & commercial	Property tax	Chapter 311	85	845,491
Long term economic development-manufacturing	Property tax	Section 381	54	334,055
Long term economic development-manufacturing	Property tax	Section 381	54	162,411
Long term economic development-retail	Sales Tax	Section 381	50	71,822
Long term economic development-retail	Property tax	Section 381	70	32,367
Long term economic development-retail	Property tax	Section 381	70	21,813
Long term economic development-retail & commercial	Sales Tax	Section 381	70	<u>10,463</u>
				<u><u>\$ 2,430,023</u></u>

G. Subsequent Event

After year end, the County issued \$60,680,000 in Comal County, Texas Limited Tax General Obligation Bonds, Series 2017 for the purpose of construction of a new jail and renovation of Sheriff's Office facilities.

APPENDIX D

Form of Opinion of Bond Counsel

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DRAFT 4/11/18

IN REGARD to the authorization and issuance of the “Comal County, Texas Limited Tax General Obligation Bonds, Series 2018” (the *Bonds*), dated May 1, 2018, in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the Commissioners Court of Comal County, Texas (the *County*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), and have Stated Maturities of February 1 in each of the years 2020 through 2033, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the County solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the County. We have not assumed any responsibility with respect to the financial condition or capabilities of the County or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the County’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Commissioners Court of the County in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the County; (3) certificates executed by officers of the County relating to the expected use and investment of proceeds of the Bonds and certain other funds of the County, and to certain other facts within the knowledge and control of the County; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the County, and such matters of law as we deem relevant to the matters discussed below. In such examination, 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 and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

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Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “COMAL COUNTY, TEXAS LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2018”

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the County enforceable in accordance with the terms and conditions described therein, 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 general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds 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 the proceeds of an annual maintenance and operations ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the County, 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 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 Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations.

FOR TAXABLE YEARS THAT BEGAN BEFORE JANUARY 1, 2018, interest on the Bonds 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. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

WE EXPRESS NO OTHER 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 Bonds. Ownership of tax-exempt obligations such as the Bonds 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 financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “COMAL COUNTY, TEXAS LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2018”

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.

Norton Rose Fulbright US LLP

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