OFFICIAL STATEMENT

Dated February 21, 2018

NEW ISSUE – Book-Entry-Only

Rating:
S&P: "AA-"
(See "OTHER INFORMATION– Rating" herein)

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

THE NOTES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$1,775,000
HOWARD COUNTY, TEXAS
TAX NOTES, SERIES 2018

Dated Date: February 15, 2018 **Due: February 15, as shown on page 2**
Interest Accrues from the Date of Initial Delivery (as defined below)

PAYMENT TERMS . . . Interest on the $1,775,000 Howard County, Texas, Tax Notes, Series 2018 (the "Notes") will accrue from the Date of Initial Delivery (as defined below) of the Notes, will be payable February 15 and August 15 of each year commencing February 15, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Notes will be made to the owners thereof.** Principal of, premium, if any, and interest on the Notes 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 Notes. See "THE NOTES – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is ZB, National Association, dba Amegy Bank, Houston, Texas (see "THE NOTES – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Notes are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapter 1431, as amended, and are direct obligations of Howard County, Texas (the "County"), payable from a direct annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the order authorizing the Notes (the "Order") (see "THE NOTES – Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Notes will be used for the purpose of paying contractual obligations incurred to (i) purchase radio and other communication equipment, and the infrastructure therefore, and (ii) pay the costs of issuance related to the Notes (see "THE NOTES – Purpose").

CUSIP NO. PREFIX: 442636
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Notes are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Notes will be available for delivery through DTC on March 21, 2018 (the "Date of Initial Delivery").

CUSIP No. Prefix [1]: 442636

MATURITY SCHEDULE

Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [1]
2019	$ 530,000	6.00%	1.40%	CZ7
2020	605,000	6.00%	1.55%	DA1
2021	640,000	5.00%	1.70%	DB9

(Interest to accrue from the Date of Initial Delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the County, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

NO REDEMPTION . . . The Notes are not subject to redemption prior to their stated maturity (see "THE NOTES – No Optional Redemption").

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No dealer, broker, salesman or other person has been authorized by the County or the Purchaser 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 or the Purchaser. This Official Statement, which includes the cover page and Appendices hereto, does not constitute an offer to sell Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the County and other 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 Financial Advisor, the County or the Purchaser. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the County's undertaking to provide certain information on a continuing basis.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES 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, THE PURCHASER OR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION – FORWARD–LOOKING STATEMENTS DISCLAIMER."

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

OFFICIAL STATEMENT SUMMARY

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

THE COUNTY .... Howard County, Texas (the "County") is a legal subdivision of the State of Texas located in West Texas. The County covers approximately 904 square miles. The City of Big Spring is the County Seat.

THE NOTES .... The Notes are issued as $1,775,000 Tax Notes, Series 2018. The Notes are issued as serial notes maturing February 15, 2019 through February 15, 2021, inclusive.

PAYMENT OF INTEREST .... Interest on the Notes accrues from the Date of Initial Delivery of the Notes and is payable February 15, 2019, and each August 15 and February 15 thereafter until maturity (see "THE NOTES – Description of the Notes").

AUTHORITY FOR ISSUANCE .... The Notes are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapter 1431, as amended, and an order adopted by the Commissioners Court of the County authorizing the Notes (the "Order") (see "THE NOTES – Authority for Issuance").

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

NO OPTIONAL REDEMPTION .... The Notes are not subject to optional redemption prior to their stated maturity (see "THE NOTES – No Optional Redemption").

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

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The County has designated the Notes as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

USE OF PROCEEDS .... Proceeds from the sale of the Notes will be used for the purpose of paying contractual obligations incurred to (i) purchase radio and other communication equipment, and the infrastructure therefore, and (ii) pay the costs of issuance related to the Notes (see "THE NOTES – Purpose").

RATING .... The Notes are rated "AA-" with a stable outlook by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION – Rating").

BOOK-ENTRY-ONLY SYSTEM...... The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Notes will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Notes 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 Notes (see "THE NOTES – Book-Entry-Only System") .

PAYMENT RECORD .... The County has never defaulted in the payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed	Funded Tax Debt Per Capita	% of Total Tax Collections to Tax Levy
2014	35,012	$ 3,372,545,744	$ 96,325	$ 10,165,000	0.30%	$ 290	99.20%
2015	35,012	4,040,315,227	115,398	9,830,000	0.24%	281	99.87%
2016	36,651	3,288,251,792	89,718	9,395,000	0.29%	256	99.27%
2017	36,651	2,799,791,287	76,391	8,985,000	0.32%	245	100.89%
2018	36,651	2,936,981,346	80,134	10,335,000 (3)	0.35%	282	40.27% (4)

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(1) Source: U.S. Census Bureau.
(2) As reported by the Howard County Appraisal District on County's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Projected, includes the Notes.
(4) Collections through December 31, 2017.

For additional information regarding the County, please contact:

Honorable Kathryn G. Wiseman
Howard County
300 Main Street, Room 207
Big Spring, Texas 79720
Phone: (432) 264-2202
Fax: (432) 264-2206

or

Mr. Vince Viaille
Managing Director
Specialized Public Finance Inc.
4925 Greenville Avenue, Suite 1350
Dallas, Texas 75206
Phone: (214) 373-3911
Fax: (214) 373-3913

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COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners Court	Length of Service	Term Expires
Kathryn G. Wiseman County Judge	3 Years	December, 2018
Oscar Garcia Commissioner, Precinct No. 1	4 Years	December, 2020
Craig Bailey Commissioner, Precinct No. 2	3 Years	December, 2018
Jimmie Long Commissioner, Precinct No. 3	8 Years	December, 2020
John Cline Commissioner, Precinct No. 4	7 Years	December, 2018

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Employment with County
Brent Zitterkopf	County Clerk	19 Years
Sharon Adams	County Treasurer	16 Years
Tiffany Sayles	County Tax Assessor/Collector	2 Years
Jackie Olson	County Auditor	45 Years

CONSULTANTS AND ADVISORS

Auditor .... Don H. Stephens CPA, P.C.
Lamesa, Texas

Bond Counsel .... Bickerstaff Heath Delgado Acosta LLP
Austin, Texas

Financial Advisor..Specialized Public Finance Inc.
Dallas, Texas

OFFICIAL STATEMENT
RELATING TO

$1,775,000
HOWARD COUNTY, TEXAS
TAX NOTES, SERIES 2018

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $1,775,000 Howard County, Texas, Tax Notes, Series 2018 (the "Notes"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order adopted by the Commissioners Court of Howard County, Texas (the "County") authorizing the issuance of the Notes (the "Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Notes and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, Specialized Public Finance Inc.

DESCRIPTION OF THE COUNTY . . . The County was organized in 1882 and operates as specified under the Constitution and general laws of the State of Texas (the "State") and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk and County Treasurer. The County Auditor is appointed for a term of two years by, and serves at the will of, the District Judges whose courts are located in Howard County. The 2010 Census population for the County was 35,012, while the estimated 2018 population is 36,651. The County covers approximately 904 square miles. The City of Big Spring is the County Seat. For more information regarding the County, see "APPENDIX A – General Information Regarding the County".

THE NOTES

PURPOSE . . . Proceeds from the sale of the Notes will be used for the purpose of paying contractual obligations incurred to (i) purchase radio and other communication equipment, and the infrastructure therefore, and (ii) pay the costs of issuance related to the Notes.

DESCRIPTION OF THE NOTES . . . The Notes are dated February 15, 2018, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Notes accrues from the Date of Initial Delivery of the Notes to the Purchaser, will be payable on February 15 and August 15, commencing February 15, 2019, until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the owners thereof.** Principal of, premium, if any, and interest on the Notes 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 Notes. See "THE NOTES – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Notes are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1431, as amended ("Chapter 1431"), as provided in the Order.

SECURITY AND SOURCE OF PAYMENT . . . The Notes constitute direct obligations of the County, payable from a continuing direct annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the Order.

TAX RATE LIMITATIONS . . . *General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations*. Texas Constitution (Article VIII, Section 9) imposes a tax rate limit of $0.80 per $100 assessed valuation of all taxable property within the County for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants or certificates of obligation issued against such funds. The Attorney General of Texas will not approve limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. **The debt service of the Notes is subject to the $0.80 tax limitation.**

Limited tax obligations of counties issued pursuant to authority granted under V.T.C.A., Government Code, Section 1301.003 are limited to the amount of such debt issued for certain purposes as follows:

Courthouse	2% of Assessed Valuation
Jail	1½ % of Assessed Valuation
Courthouse and Jail	3½ % of Assessed Valuation
Road and Bridge	1½ % of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Subchapter D of Chapter 1473, Texas Government Code, which removes the above limitations, and authorizes the tax limit under Article VIII, Section 9.

Unlimited Tax Road Bonds. Article III, Section 52, Texas Constitution, authorizes the County to levy a separate tax, without legal limit as to rate, to pay debt service on County road bonds issued pursuant to such authority upon approval by a majority of participating voters in an election held to approve the issuance of such bonds. Article III, Section 52 of the Texas Constitution also provides that unlimited tax road bond debt may not exceed 25% of the County's assessed valuation of real estate. The County has no authorized but unissued unlimited tax road bonds.

Road Maintenance. Under Section 256.052, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.15 on the $100 assessed valuation of property provided by Article VIII, Section 9 of the Texas Constitution, for the further maintenance of county roads. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. The additional tax may not be used for debt service.

Farm-to-Market and/or Flood Control. Under Section 256.054, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.30 on the $100 assessed valuation, after exemption of homesteads up to $3,000, provided by Article VIII, Section 1-a of the Texas Constitution, for the construction and maintenance of farm-to-market and lateral roads or for flood control. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. No allocation is prescribed by statute between debt service and maintenance. Therefore, all or part may be used for either purpose.

NO OPTIONAL REDEMPTION . . . The Notes are not subject to optional redemption prior to their stated maturity.

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 holders of a majority in aggregate principal amount of the Notes then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all the Notes affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of any installment of interest on any Note is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Note or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Notes, (2) give any preference to any Note over any other Note, or (3) reduce the aggregate principal amount of the Notes required for consent to any amendment, addition, or waiver.

DEFEASANCE . . . The Order provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes. The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Notes. The County has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the County moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid. Provided, however, the County has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption, at an earlier date, those Notes 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 Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes 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.

Book-Entry-Only System *. . . This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and accredited by The Depository Trust Company, New York, New York ("DTC") while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County and the 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 Notes, or redemption or other notices, to DTC Direct Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 for the Notes shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Notes 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 Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 neither the County nor the Purchaser take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Notes 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 Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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

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

In the event that the Book-Entry-Only System described above should be discontinued, principal of the Notes at stated maturity or earlier redemption will be paid to the registered owner upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Notes will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "THE NOTES – Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Notes is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be 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 date payment as due. So long as Cede & Co. is the registered owner of the Notes, principal and interest on the Notes will be made as described in "THE NOTES – Book-Entry-Only System".

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

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Notes on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date for the Notes, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

NOTEHOLDERS' REMEDIES . . . The Order does not provide for the appointment of a trustee to represent the interests of the Noteholders upon any failure of the County to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does establish specific events of default with respect to the Notes. If the County defaults in the payment of principal, interest, or redemption price of the Notes 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 see a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Notes if there is no other available remedy at law to compel performance of the Notes or Order and the County's obligations are not uncertain or disputed. Under State law, there is no right to the acceleration of maturity of the Notes upon the failure of the County to observe any covenant under the Order. A registered owner of Notes could seek a judgment against the County if a default occurred in the payment of principal of or interest on any such Notes; however, such judgment could not be satisfied by execution against any property of the County and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the County to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Notes as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Notes are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The County is also 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 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 Noteholders 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 Notes are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

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

SOURCES OF FUNDS:	
Principal Amount	$ 1,775,000.00
Reoffering Premium	131,423.10
Total Sources of Funds	$ 1,906,423.10
USES OF FUNDS:	
Deposit to Construction Fund	$ 1,840,000.00
Purchaser's Discount	5,414.17
Costs of Issuance/Rounding Amount	61,008.93
Total Uses of Funds	$ 1,906,423.10

TAX INFORMATION

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

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

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

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

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

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

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

State law and Section 2, 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 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. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that 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 residences 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.

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.

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

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

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, 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.

Pursuant to Chapter 311, Texas Tax Code, as amended, the County may create one or more tax increment 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. 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 the TIRZ 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 may enter into tax abatement agreements with owners of property pursuant to Chapter 312, Texas Tax Code, as amended. Prior to entering into a tax abatement agreement, each taxing entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the County, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement.

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.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Before the later of September 30 or the 60th day after the certified appraisal roll is received by the County, the Commissioners Court is required to adopt a tax rate per $100 taxable value for the current year. If the Commissioners Court does not adopt a tax rate by such required date, the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Commissioners Court may not adopt a tax rate that exceeds the prior year's levy until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code (including the requirement that notice be posted on the County's website if the County owns, operates, or controls an internet website and public notice be given by television if the County has free access to a television channel). If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. The valuation assessment of oil and gas reserves depend upon pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000; the disabled are also granted an exemption of $25,000.

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

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

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

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

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

The County does tax freeport property and goods-in-transit.

The County has entered into tax abatement agreements with four electric generation wind farms operating in the County. Three of the tax abatement agreements are with Duke Energy (58.8 Megawatts), NRG Energy (121.9 Megawatts) and E.ON Energy (36 Megawatts), and cover a period from 2009 through 2018. A fourth tax abatement agreement with Gunsight Mountain Wind Energy, LLC (120 Megawatts) was entered into in 2014 and covers a 10 year term beginning after the commencement of commercial operations which is reflected in the contract as of a date no later than December 31, 2017. The abatement agreements provide for a 100% abatement of County ad valorem taxes on the wind farms for the term of each agreement. Annual payments to the County resulting from the three agreements currently operating were approximately $264,027 in fiscal year 2017.

The County has not created any tax increment reinvestment zones.

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

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TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2017/18 Market Valuation Established by Howard County Appraisal District (excluding totally exempt property)		$ 3,853,356,448
Less Exemptions/Reductions at 100% Market Value:		
General Homestead Exemptions	$ 122,502,879	
Residence Homestead Exemptions (Over 65)	25,972,325	
Disabled Veteran Exemptions	16,426,929	
Agriculture/Open Space Land Use Reductions	177,884,769	
Abatement	289,874,408	
Other	223,722,785	
Cap Value	59,991,007	916,375,102
2017 Taxable Assessed Valuation		$ 2,936,981,346
General Obligation Debt Payable from Ad Valorem Taxes (as of 12/31/17)		$ 8,985,000
The Notes		1,775,000
		$ 10,760,000
General Obligation Interest and Sinking Fund (as of 12/31/17)		$ 309,581
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		0.37%

2018 Estimated Population - 36,651

Per Capita Taxable Assessed Valuation - $80,134

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $294

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TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2018		2017		2016	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 888,147,668	23.05%	$ 877,034,113	24.48%	$ 810,909,703	20.05%
Real, Residential Multi-Family	59,875,355	1.55%	50,964,213	1.42%	48,028,370	1.19%
Real, Vacant Lots/Tracts	25,625,172	0.67%	26,160,512	0.73%	21,934,410	0.54%
Real, Acreage (Land Only)	249,967,925	6.49%	250,566,645	6.99%	245,515,630	6.07%
Real, Farm and Ranch Improvements	85,329,961	2.21%	80,596,276	2.25%	62,501,988	1.55%
Real, Commercial and Industrial	997,602,328	25.89%	910,309,372	25.40%	875,148,998	21.63%
Real, Oil, Gas and Other Minerals	787,500,371	20.44%	648,445,102	18.10%	1,159,657,910	28.67%
Real and Tangible Personal, Utilities	371,275,973	9.64%	318,519,403	8.89%	323,360,542	7.99%
Personal, Commercial and Industrial	370,273,723	9.61%	395,860,758	11.05%	485,101,535	11.99%
Tangible Personal, Other	7,300,238	0.19%	9,216,279	0.26%	7,325,563	0.18%
Intangibles	1,130,474	0.03%	9,945,700	0.28%	971,646	0.02%
Real Property, Inventory	9,327,260	0.24%	5,706,942	0.16%	4,806,336	0.12%
Total Appraised Value Before Exemptions	$ 3,853,356,448	100.00%	$ 3,583,325,315	100.00%	$ 4,045,262,631	100.00%
Less: Total Exemptions/Reductions	(916,375,102)		(783,534,028)		(757,010,839)	
Taxable Assessed Value	$ 2,936,981,346		$ 2,799,791,287		$ 3,288,251,792	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2015		2014	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 681,673,062	14.33%	$ 638,034,921	16.92%
Real, Residential Multi-Family	41,739,195	0.88%	26,629,671	0.71%
Real, Vacant Lots/Tracts	17,792,018	0.37%	12,058,014	0.32%
Real, Acreage (Land Only)	245,069,978	5.15%	201,768,150	5.35%
Real, Farm and Ranch Improvements	55,802,217	1.17%	31,815,203	0.84%
Real, Commercial and Industrial	828,509,198	17.42%	671,784,373	17.82%
Real, Oil, Gas and Other Minerals	2,187,132,390	45.98%	1,605,013,902	42.57%
Real and Tangible Personal, Utilities	258,572,056	5.44%	163,788,855	4.34%
Personal, Commercial and Industrial	426,905,514	8.98%	397,691,617	10.55%
Tangible Personal, Other	7,404,263	0.16%	5,564,880	0.15%
Intangibles	-	0.00%	14,817,915	0.39%
Real Property, Inventory	5,861,154	0.12%	1,245,750	0.03%
Total Appraised Value Before Exemptions	$ 4,756,461,045	100.00%	$ 3,770,213,251	100.00%
Less: Total Exemptions/Reductions	(716,145,818)		(397,667,507)	
Taxable Assessed Value	$ 4,040,315,227		$ 3,372,545,744	

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

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TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2014	35,012	$ 3,372,545,744	$ 96,325	$ 10,165,000	0.30%	$ 290
2015	35,012	4,040,315,227	115,398	9,830,000	0.24%	281
2016	36,651	3,288,251,792	89,718	9,395,000	0.29%	256
2017	36,651	2,799,791,287	76,391	8,985,000	0.32%	245
2018	36,651	2,936,981,346	80,134	10,335,000 (3)	0.35%	282

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

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund/ Road & Bridge	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2014	$ 0.359828	$ 0.329827	$ 0.030001	$ 12,135,369	97.76%	99.20%
2015	0.300687	0.276618	0.024069	12,129,882	98.40%	99.87%
2016	0.371885	0.347513	0.024372	12,219,788	98.42%	99.27%
2017	0.440000	0.417580	0.022420	12,319,081	99.57%	100.89%
2018	0.440000	0.414459	0.025541	10,922,198	38.91% (1)	40.27% (1)

(1) Collections through December 31, 2017.

TABLE 4 – TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
Constitutional Tax Rate	2017	2016	2015	2014	2013
General Fund	$ 0.314459	$ 0.317580	$ 0.261513	$ 0.206618	$ 0.259827
Road & Bridge Fund	0.058925	0.058406	0.052171	0.042693	0.042320
Road & Bridge Special Fund	0.041075	0.041594	0.033829	0.027307	0.027680
Interest and Sinking Fund	0.025541	0.022420	0.024372	0.024069	0.030001
Total Constitutional Tax Rate	$ 0.440000	$ 0.440000	$ 0.371885	$ 0.300687	$ 0.359828

TABLE 5 – TEN LARGEST TAXPAYERS (1)

Name of Taxpayer	2017/18 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Alon USA	$ 230,295,040	7.84%
OXY USA Inc.	107,753,600	3.67%
Crownquest Operating LLC	65,445,830	2.23%
Oncor Electric Delivery	55,963,570	1.91%
Encana Oil & Gas Inc.	51,883,630	1.77%
Wind Energy Transmission	48,781,850	1.66%
SID Richardson Carbon LTD	37,390,040	1.27%
J. Aron & Company	37,367,680	1.27%
SM Energy Company	33,861,580	1.15%
Surge Operating LLC	31,127,790	1.06%
	$ 699,870,610	23.83%

(1) As shown in Table 5 above, the County's ten largest taxpayers currently account for over 20% of the County's tax base. Adverse developments in economic conditions, especially in the oil and natural gas industries, could adversely impact the businesses that own such properties in the County and the tax values in the County, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the County to make timely payment of debt service on the Notes will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "THE NOTES – Noteholders' Remedies" and "TAX INFORMATION – Penalties and Interest" herein.

TABLE 6 – TAX ADEQUACY (1)(2)

2018 Net Tax Supported Debt Principal and Interest Requirements	$ 748,275
$0.0269 Tax Rate at 95% Collection Produces	$ 750,546
Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2018- 2033	$ 872,660
$0.0313 Tax Rate at 95% Collection Produces	$ 873,311
Maximum Net Tax Supported Debt Principal and Interest Requirements, 2021	$ 1,410,963
$0.0506 Tax Rate at 95% Collection Produces	$ 1,411,807

(1) Projected, includes the Notes.
(2) The illustrative tax rates correspond to the Fiscal Year 2017 Certified Taxable Assessed Value.

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TABLE 7 – ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total Funded Debt As of 12/31/17	Estimated % Applicable	County's Overlapping Funded Debt 12/31/2017
Howard County	$ 10,760,000 (1)	100.00%	$ 10,760,000 (1)
Big Spring ISD	52,220,000	100.00%	52,220,000
City of Big Spring	21,545,000	100.00%	21,545,000
Borden Co ISD	17,505,000	1.73%	302,837
Coahoma ISD	11,519,997	100.00%	11,519,997
City of Coahoma	1,145,000	100.00%	1,145,000
Forsan ISD	18,910,000	97.71%	18,476,961
Howard Co. JCD	12,705,000	100.00%	12,705,000
Sands CISD	4,660,000	60.60%	2,823,960
Stanton ISD	37,799,000	2.73%	1,031,913
Total Direct and Overlapping Tax Supported Debt			$ 132,530,667
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			4.51%
Per Capita Overlapping Tax Supported Debt			$ 3,616

(1) Includes the Notes.

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DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Notes (1) Principal	The Notes (1) Interest	The Notes (1) Total	Total Debt
2018	$ 425,000	$ 323,275	$ 748,275	$ -	$ -	$ -	$ 748,275
2019	440,000	308,525	748,525	530,000	124,240	654,240	1,402,765
2020	455,000	295,100	750,100	605,000	50,150	655,150	1,405,250
2021	475,000	279,963	754,963	640,000	16,000	656,000	1,410,963
2022	485,000	263,163	748,163	-	-	-	748,163
2023	505,000	245,838	750,838	-	-	-	750,838
2024	520,000	227,900	747,900	-	-	-	747,900
2025	540,000	209,350	749,350	-	-	-	749,350
2026	560,000	190,100	750,100	-	-	-	750,100
2027	580,000	170,150	750,150	-	-	-	750,150
2028	600,000	148,000	748,000	-	-	-	748,000
2029	625,000	123,500	748,500	-	-	-	748,500
2030	655,000	97,900	752,900	-	-	-	752,900
2031	680,000	71,200	751,200	-	-	-	751,200
2032	705,000	43,500	748,500	-	-	-	748,500
2033	735,000	14,700	749,700	-	-	-	749,700
	$ 8,985,000	$ 3,012,163	$ 11,997,163	$ 1,775,000	$ 190,390	$ 1,965,390	$ 13,962,553

(1) Interest on the Notes has been calculated at the rates set forth on the inside cover.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION (1)

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-18		$ 748,275
Interest and Sinking Fund Balance, 9-30-17	$ 89,360	
Interest and Sinking Fund Tax Levy	750,134	839,494
Estimated Balance Fiscal Year Ending 9-30-18		$ 91,219

(1) Projected.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The County has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The County does not anticipate the issuance of general obligation debt within the next twelve months.

OTHER OBLIGATIONS . . . The County leases equipment under non-cancellable operating leases. Total costs for such leases were $71,770 for the year ended September 30, 2017 (unaudited). See "APPENDIX B – Excerpts from the Howard County, Texas Annual Financial Report – Note #IV(D)" for more detailed information.

PENSION FUND

Retirement System. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas, 78768-2034.

The plan provisions are adopted by the Commissioners Court, within the options available in the State statutes governing TCDRS (TCDRS Act).

Funding Policy. The 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 employees and the County based on the covered payroll of such employees. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 21.50% for the months of the accounting year in 2014, and 21.00% for the months of the accounting year in 2015. The deposit rate payable by County employee members for calendar year 2017 is the rate of 7% as adopted by the Commissioners Court. For calendar year 2016, the employee deposit rate was 7%.

Funding Levels. As of December 31, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $36,643,514, and the actuarial value of assets was $31,661,315, resulting in an unfunded actuarial accrued liability (UAAL) of $4,981,999.

For more detailed information concerning the TCDRS retirement plan, see "APPENDIX B – Excerpts from the Howard County, Texas Annual Financial Report - Note V(F)."

OTHER POST-EMPLOYMENT BENEFITS

Retiree Health Care Plan. The County provides health care benefits to certain eligible retirees who became employed with the County on or before August 25, 2003. The County does not make annual contributions to the plan, but rather the decision to provide these benefits is made by the Commissioners Court on a year-to-year basis. For the year ending on September 30, 2015, the County's total cost of such plan was $320,872. Under GASB reporting parameters, the County's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $9,315,564 at September 30, 2015.

For more detailed information concerning the County's retiree health care plan, see "APPENDIX B – Excerpts from the Howard County, Texas Annual Financial Report - Note V(D)."

Life Insurance. For information concerning the County's retiree life insurance plan, see "APPENDIX B – Excerpts from the Howard County, Texas Annual Financial Report - Note V(E)."

ACCRUED COMPENSATED ABSENCES . . . County employees are entitled to paid vacation time, depending on length of service and other factors, and the County's policy permits employees to accumulate earned but unused vacation pay benefits. As of September 30, 2016, the County had $186,566 in accumulated unpaid vacation time. Sick leave is not paid upon termination and therefore is not accrued.

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FINANCIAL INFORMATION

TABLE 10 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2016	2015	2014	2013	2012
Taxes	$ 8,676,975	$ 8,373,645	$ 8,782,634	$ 8,731,206	$ 8,860,391
Licenses and Permits	8,208	5,235	8,037	1,392	7,885
Intergovernmental	1,354,377	1,083,929	1,051,745	857,318	846,395
Charges for Services	1,595,094	1,480,415	1,427,477	1,356,660	1,176,691
Fines/Fees	664,354	590,441	671,658	605,410	489,960
Interest	39,357	20,423	16,376	12,465	137,128
Miscellaneous	806,398	118,820	196,665	490,407	18,652
Total Revenues	$ 13,144,763	$ 11,672,908	$ 12,154,592	$ 12,054,858	$ 11,537,102
Expenditures:					
General Government	$ 5,577,982	$ 5,477,243	$ 4,988,661	$ 4,696,667	$ 4,340,422
Public Safety	4,972,224	4,752,927	4,417,818	3,988,058	3,702,897
Health/Welfare	4,251	4,412	5,889	4,816	1,105
Conservation of Natural Resources	161,903	168,038	135,194	103,980	107,141
Culture/Recreation	378,198	441,971	410,226	390,441	390,566
Intergovernmental	1,400,558	1,392,727	1,383,441	491,334	779,335
Capital Expenditures	230,247	53,943	158,080	136,625	1,026,825
Total Expenditures	$ 12,725,363	$ 12,291,261	$ 11,499,309	$ 9,811,921	$ 10,348,291
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	$ 419,400	$ (618,353)	$ 655,283	$ 2,242,937	$ 1,188,811
Other Financing Sources (Uses)					
Operating Transfers In	$ -	$ -	$ -	$ -	$ -
Operating Transfers Out	(447,500)	(437,000)	(408,781)	(677,834)	(1,646,327)
Total Other Financing Sources (Uses)	$ (447,500)	$ (437,000)	$ (408,781)	$ (677,834)	$ (1,646,327)
Excess of Revenues & Other Financing Sources					
Over (Under) Expenditures & Other Financing Uses	$ (28,100)	$ (1,055,353)	$ 246,502	$ 1,565,103	$ (457,516)
Fund Balance, October 1	$ 7,495,572	$ 8,564,729	$ 8,309,400	$ 6,743,701	$ 7,210,086
Increase (decrease) in Reserve for Inventory	$ (7,926)	$ (13,804)	$ 8,827	$ 596	$ (8,869)
Fund Balance, September 30	$ 7,459,546	$ 7,495,572	$ 8,564,729	$ 8,309,400	$ 6,743,701

The unaudited General Fund Balance as of September 30, 2017 was $7,576,950.

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TABLE 11 – SPECIAL REVENUE FUNDS STATEMENT OF REVENUE AND EXPENDITURE CHANGE IN FUND BALANCE (ROAD AND BRIDGE)

	Fiscal Year Ended September 30,				
Revenues:	2016	2015	2014	2013	2012
Taxes	$ 2,853,889	$ 2,837,555	$ 2,365,670	$ 2,163,736	$ 1,323,966
Licenses and Permits	652,470	647,799	675,502	665,390	665,075
Intergovernmental	2,603,862	130,552	61,017	98,648	49,984
Interest	6,170	4,449	3,480	1,706	345
Miscellaneous	-	14,298	35	2,028	-
Total Revenues	$ 6,116,391	$ 3,634,653	$ 3,105,704	$ 2,931,508	$ 2,039,370
Expenditures:					
General Government	$ -	$ -	$ -	$ -	$ -
Capital expenditures	-	-	123,708	-	1,175
Road Maintenance	5,353,466	3,301,761	3,197,452	2,772,408	2,054,305
Total Expenditures	$ 5,353,466	$ 3,301,761	$ 3,321,160	$ 2,772,408	$ 2,055,480
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 762,925	$ 332,892	$ (215,456)	$ 159,100	$ (16,110)
Operating Transfers In (Out)	$ 144,193	$ (138,000)	$ -	$ -	$ -
Fund Balance, October 1	$ 945,885	$ 750,993	$ 966,449	$ 807,349	$ 823,459
Fund Balance, September 30	$ 1,853,003	$ 945,885	$ 750,993	$ 966,449	$ 807,349

The unaudited Road and Bridge Fund balance as of September 30, 2017 was $2,222,969.

FINANCIAL POLICIES

Basis of Accounting . . . The County instituted the use of modified accrual basis of accounting, which recognizes revenues when both measurable and available. Under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

General Fund Balance . . . The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds . . . Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Budgetary Procedures . . . The Commissioners Court approves a proposed operating budget for each fiscal year. Each operating budget includes proposed expenditures and the means of financing them. Governmental funds for which annual operating budgets are legally adopted are the General Fund and the following Special Revenue Funds: Permanent Improvement Fund; Law Library Fund; MPEC/Project Center; Insurance Fund; Indigent Health Fund; Criminal Justice Fund; Jury Fund; and the Ag Barn/4H Project Center Fund. This is the level at which expenditures may not legally exceed appropriations. Any expenditure which alters the total budgeted amounts of a fund must be approved by the Commissioners Court and the budget appropriately amended. Any appropriations lapse at year end.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal of and interest on 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) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code, as amended) (the "PFIA") (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits, or (ii) that are invested by the County through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (13) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

INVESTMENT POLICIES . . . Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All 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 to the Commissioners Court detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 Commissioners Court.

ADDITIONAL PROVISIONS . . . Under Texas law, the County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) 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 repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (9) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the said order or resolution; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in the investment transactions with the County.

Historically, the Commissioners Court has only reviewed the County's investment policy when changes are being proposed. In the future, the Commissioners Court intends to review the County's investment policy on an annual basis.

TABLE 12 – CURRENT INVESTMENTS

As of December 31, 2017, the County's investable funds were invested in the following categories:

Investments	Fair Market Value
Investment Pools	$14,925,691
Total	$14,925,691

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TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel to the County, assuming continuing compliance by the County with the tax covenants described below, under existing law, interest on the Notes is excludable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals or, except as noted below in the following paragraph for tax years beginning before January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning before January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Notes, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Notes received or accrued by a corporation that owns the Notes will be included in computing such corporation's alternative minimum taxable income for such year. For tax years beginning after December 31, 2017, Public Law 115-97 repealed the corporate alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on the County's covenants contained in the Order and the County's covenants contained in the Federal Tax Certificate, that it will comply with the applicable requirements of the Code, relating to, *inter alia*, the use and operation of the project and the use and investment of proceeds of the Notes and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the County to comply with such covenants could result in the interest on the Notes being subject to federal income tax from the date of issue of the Notes. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Notes that may affect the tax-exempt status of the interest.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the County as the taxpayer and the Registered Owners may not have a right to participate in such audit. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit regardless of the ultimate outcome of the audit.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . Prospective purchasers of the Notes should be aware that the ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers including, without limitation, holders who may be deemed to have incurred or continued indebtedness to acquire or carry tax-exempt obligations, holders of certain interests in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Notes will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010, the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Notes will be included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by the household income. Section 36B(d) of the Code provides that household income consists of the modified adjusted gross income of the taxpayer and certain other individuals. Modified adjusted gross income means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Notes. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Notes should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Notes, received or accrued during the year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Notes received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Notes, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than designated "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code.

The County will designate the Notes as "qualified tax-exempt obligations" for the purposes of Section 265(b)(1) of the Code.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN NOTES . . . The initial public offering price of certain Notes (the "Discount Notes") may be less than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes 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 Note. A portion of such original issue discount allocable to the holding period of such Discount Note by the initial purchaser will, upon the disposition of such Discount Note (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Notes described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year. However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income. Owners of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

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

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

CHANGES IN FEDERAL AND STATE TAX LAW . . . From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value or marketability of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Notes.

Prospective purchasers of the Notes should consult with their own tax advisors regarding any other federal income tax legislation, whether currently pending or proposed, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS … Section 265(b) of the Code provides, in pertinent part, that interest paid or incurred by a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b)(3) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a "financial institution" allocable to tax-exempt obligations, other than " private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

CONTINUING DISCLOSURE OF INFORMATION

GENERAL . . . In the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"), through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org.

ANNUAL REPORTS . . . Under State law, including but not limited to, Chapter 115, as amended, Texas Local Government Code, the County must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified or permitted public accountant and must maintain the audit report with the County Auditor. The County's fiscal records and audit report are available for inspection during the regular business hours of the County Auditor and the County is required to provide a copy of the County's audit reports to any Noteholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 12. The County will update and provide this information within 6 months after the end of each fiscal year ending in or after 2017. The County will provide this updated information to the MSRB. The County will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2017. If audited financial statements are not available, the County will provide audited financial statements when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the County shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

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

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

EVENT NOTICES . . . The County shall provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner and 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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) redemption calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. Neither the Notes 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 the immediately preceding paragraph (12) 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 . . . 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 Notes 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 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 entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the County receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the County has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

LIMITATIONS AND AMENDMENTS . . . The County has agreed to update information and to provide notices of certain 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 Notes at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the County to comply with its agreement.

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

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

OTHER INFORMATION

RATING . . . The Notes are rated "AA-" with a stable outlook by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). The County's currently outstanding debt is rated "AA-" by S&P. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of such organization and the County makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

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

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE . . . The sale of the Notes 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 Notes have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes 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. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Notes are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Notes are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The County will furnish a complete transcript of proceedings for the Notes had incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Note and to the effect that the Notes are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Notes is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The 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 Notes, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Notes will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Notes in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Notes is contingent on the sale and delivery of the Notes. The legal opinion will accompany the Notes deposited with DTC or will be printed on the Notes in the event of the discontinuance of the Book-Entry-Only System.

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the County in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. Specialized Public Finance 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 Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER . . . After requesting competitive bids for the Notes, the County accepted the bid of SAMCO Capital Markets, Inc. (the "Purchaser") to purchase the Notes at the interest rates shown on the inside cover of this Official Statement at a price of approximately 107.099% of par. The Purchaser can give no assurance that any trading market will be developed for the Notes after their sale by the County to the Purchaser. The County has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. The County's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

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

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. 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 the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

/s/ Kathryn G. Wiseman
County Judge
Howard County, Texas

ATTEST:

/s/ Brent Zitterkopf
County Clerk
Howard County, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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THE COUNTY

LOCATION

Howard County, founded in 1876 and organized in 1882, is located in north central Texas and has an area of approximately 904 square miles. The City of Big Spring (2010 U.S. Census Population 35,012) is the County Seat and it is the largest city between Midland to the west, Abilene to the east, Lubbock to the north, and San Angelo to the south.

POPULATION FOR HOWARD COUNTY

Year	Population Estimate
2016	36,708
2015	36,651
2014	36,651
2013	35,832
2012	35,012
2010	35,012 Census

Source: U.S. Census Bureau.

ECONOMY

Howard County's economy is based primarily on varied manufacturing, oil production, government, gas production, clothing manufacturing and agribusiness.

LABOR FORCE ESTIMATES

HOWARD COUNTY, TEXAS

	November	Annual Averages			
	2017	2016	2015	2014	2013
Civilian Labor Force	12,704	13,169	13,314	13,571	13,588
Total Employment	12,240	12,429	12,701	12,977	12,859
Unemployment	464	740	613	594	729
Percent Unemployment	3.7%	5.6%	4.6%	4.4%	5.4%

STATE OF TEXAS

	November	Annual Averages			
	2017	2016	2015	2014	2013
Civilian Labor Force	13,501,846	13,284,623	13,044,089	13,004,345	12,872,204
Total Employment	13,002,576	12,671,801	12,463,031	12,340,567	12,070,808
Unemployment	499,270	612,822	581,058	663,778	801,396
Percent Unemployment	3.7%	4.6%	4.5%	5.1%	6.2%

Source: Texas Workforce Commission

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APPENDIX B

EXCERPTS FROM THE
HOWARD COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the Howard County, Texas Annual Financial Report for the Year Ended September 30, 2016, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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REPORT OF INDEPENDENT AUDITORS

The Honorable Judge & Commissioners Court
& County Auditor
Howard County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County, Texas as of and for the year ended September 30, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls 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 an opinion on these financial statements based on our audit. We conducted our audits 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.

The Honorable Judge & Commissioners Court
& County Auditor
Howard County, Texas

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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Howard County, Texas, as of September 30, 2016 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund Budgetary Comparison, Schedule of Funding Progress (Texas and County District Retirement System) and the schedule of funding progress (post retirement benefits) 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 managements' responses to our inquiries, the basic financial statements. And other knowledge we obtained during our audit of the basic financial statements.

The Honorable Judge & Commissioners Court
& County Auditor
Howard County, Texas

We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual non major fund financial statements (including the budgetary comparison schedules for non major funds) and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures (Road & other Grants) is presented for purposes of additional analysis as required by U.S. office of Management and Budget Circular A 133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The schedule of expenditures of state/federal awards and the combining and individual non major fund financial statements (including the budgetary comparison schedules for non major funds) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non major fund financial statements (including the budgetary comparison schedules for non major funds) and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory Section and Statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

Don H Stephens CPA PC

Don H. Stephens CPA, P.C.
Lamesa, Texas
January 31, 2017

Howard County, Tx
Management's Discussion and Analysis
September 30, 2016

Readers of the County's financial statements are presented this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Notes to the Financial Statements as well as the basic financial statements.

Users of Public-Sector Financial Information

Many groups and individuals need reliable information about a government's finances.

Management needs financial information for planning purposes and to ensure and demonstrate compliance with budgetary and grantor restrictions on the use of resources. Oversight bodies need financial information to make informed decisions on the allocation of scarce resources and to monitor management's compliance with budgetary and other legal restrictions.

Investors and creditors need financial information to determine the creditworthiness of the government and whether the government is complying with finance related legal and contractual requirements. Citizens need financial information to evaluate the financial stewardship of their elected representatives and to provide a basis for their own informed participation in the budgetary process.

History of Texas Counties and The Function of Texas County Government (1)

The origin of Texas county government can be found in "municipality," the local unit of government under Spanish and Mexican rule. The municipalities were large areas embracing one or more settlements and the surrounding rural territory. In 1821, there were four major Spanish settlements in Texas—San Antonio, Bahia (Goliad), Nacogdoches, and the Rio Grande Valley—and three areas of light settlement and ranching and four major roads.

Prior to the revolution of Texas against Mexico, there was no political subdivision at the county level. In 1835, Texas was divided into departments and municipalities. Three departments were established—Bexar, Brazos and Nacogdoches—along with 23 municipalities.

Under the new Republic in 1836, the 23 municipalities became counties. When Texas became a state in 1845, there were 36 counties.

Under the state constitution of 1845, county government varied little from that under the Republic. The only major change was one that made all county offices elective positions.

When Texas entered the Confederacy in 1861 and adopted a new state constitution, there were 122 counties.

Ten years after Reconstruction from the Civil War, the Constitution of 1876 was adopted. It is the present state constitution and contains much detail concerning the governmental organization of the county. The number of counties increased steadily until there were 254 counties in 1931.

Today the 254 counties serve the needs of more than 26 million Texans. The counties range in size from just under 100 residents to more than three million.

Major responsibilities include building and maintaining roads, recreational facilities and, in some cases, county airports; constructing and operating jails; operating the judicial system; maintaining public records; collecting property taxes; issuing vehicle registration and transfers; and registering voters.

Counties also provide law enforcement, conduct elections and provide health and social services to many poor county residents.

Increasingly, county governments are playing a vital role in the economic development of their local areas.

(1) Source: Texas Association of Counties

<u>Overview of the Financial Statements</u>

The County's financial reporting for fiscal year 2016 focuses on the county as a whole, and on major individual funds. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to present an overall picture of the financial position of the County of Howard. These statements consist of the statement of net assets and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The statement of net assets combines and consolidates the government's current financial resources with capital assets and long-term obligations. This statement includes all of the County's assets and liabilities.

Net assets is the difference between the County's assets and liabilities, and represent one measure of the County's financial health.

The statement of activities focuses on both the gross and net cost of various activities (governmental and business-type). This statement summarizes the cost of providing specific government services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Howard uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Howard can be grouped in three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The reconciliation following the fund financial statements explains the differences between the County's activities, reported in the government-wide statement of net assets and government-wide statement of activities, and the governmental funds. The General Fund, always reported as a major fund, Road and Bridge Fund, and the Tobacco Fund are reported as major funds. The County also includes the Debt Service Fund as a major fund.

The County maintains a proprietary fund, an internal service fund, to account for its fleet of vehicles. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The fiduciary funds are used to account for resources held for the benefit of others outside the government and are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs.

The County also maintains additional individual governmental funds. Data from these funds are combined into a single, aggregated presentation.

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

Financial Analysis of the County as a Whole

Net Assets. Total assets of the County on September 30, 2016, were $30,106,311, deferred outflows of services $4,223,911, while total liabilities were $16,473,249, resulting in a net asset balance of $17,856,973.

Changes in Net Assets

During the fiscal year the County earned $3,652,006 in charges for services/fines/fees. Property tax revenue accounted for $12,341,617, grants and donations totaled $2,555,567, and other revenue was $2,343,962, and loss on sale of equipment was $368,471.

Expenses, including general government, public safety and road maintenance totaled $19,322,954.

Governmental Funds

Revenues	
Charges for Services	$ 3,652,006
Grants	2,555,567
Taxes	12,341,617
Other and Intergovernmental	1,974,601
Total revenues	20,523,791
Expenses	
General government	6,884,732
Public Safety	4,709,023
Road maintenance	4,248,165
Health and Welfare	163,634
Conservation of natural resources	164,480
Culture and recreation	351,668
Intergovernmental	1,400,558
Interest on debt	293,015
Vehicle operation	1,106,929
Other	750
Total expenses	19,322,954
Change in Net Assets	1,200,837
Net assets, 10-1-15	16,656,136
Net assets, 9-30-16	$ 17,856,973

Budget Variances in the General Fund

Unlike budgets in the private sector, the appropriated budget of a local government is much more than just a financial plan. It is the concrete manifestation of a legislative body's use of the power of the purse to set public policy.

The original budget for revenues in the general fund was $11,522,882 compared to $13,062,651 for the final budget, an increase of $1,539,769.

Revenues	Original Budget	Final Budget	Increase or (Decrease)
Taxes	$ 8,515,481	$ 8,652,000	$ 136,519
License/Permits	5,000	5,000	-
Intergovernmental	1,002,651	1,278,951	276,300
Charges for Services	1,361,100	1,573,600	212,500
Fines/Fees	571,800	734,600	162,800
Other/Sale of Property	51,700	780,000	728,300
Interest	15,150	38,500	23,350
Total	$ 11,522,882	$ 13,062,651	$ 1,539,769

The original budget for expenditures in the general fund was $13,322,249 compared to $13,443,519 for the final budget, an increase of $121,270

Expenditures		Original Budget		Final Budget		Increase or (Decrease)
General Government	$	6,031,702	$	5,973,574	$	(58,128)
Public Safety		5,030,099		5,202,534	$	172,435
Health and Welfare		13,100		13,100	$	-
Conservation of Natural Resources		170,151		170,668	$	517
Culture and Recreation		441,484		445,202	$	3,718
Intergovernmental		1,550,713		1,402,758	$	(147,955)
Capital Outlay		85,000		235,683	$	150,683
Total	$	13,322,249	$	13,443,519	$	121,270

Capital Assets

The County's investment in capital assets as of September 30, 2016, amounts to $13,009,616 (net of accumulated depreciation). This investment includes land, buildings and improvements and equipment.

Governmental Activities:		
Capital assets, not being depreciated:		
Land		$ 589,576
Capital assets, being depreciated:		
Buildings		19,990,879
Machinery and equipment		1,663,377
Less accumulated depreciation:		
Buildings, machinery and equipment		(10,612,825)
Governmental Activities Capital Assets, Net		11,631,007
Business-type Activities:		
Machinery and equipment		5,052,997
Less accumulated depreciated		(3,674,388)
Business-Type Activities Capital Assets, Net		$ 1,378,609

Contacting the County's Financial Management

This financial report is designed to provide the County's citizens, taxpayers, and creditors with a general overview of the County's finances. If you have questions, contact the County Judge (432-264-2202) or County Auditor (432-264-2210) at 300 Main Street, County Courthouse, and Big Spring, TX 79720.

BASIC FINANCIAL STATEMENTS

Howard County, Tx
Statement of Net Assets
September 30, 2016

		Governmental Activities
ASSETS		
Cash and cash equivalent	$	13,846,352
Petty cash		1,780
Receivables (net of allow. for uncollectibles)		3,199,514
Inventory		49,049
Deferred Charges		-
Capital assets (net of accumulated depreciation):		
Land		589,576
Buildings and improvements		10,366,919
Equipment		2,053,121
Total assets		30,106,311
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows related to pensions		4,223,911
Total deferred outflows		4,223,911
LIABILITIES		
Accounts payable		757,088
Wages payable		292,377
Deferred revenue		834,611
Accrued interest payable		25,608
Noncurrent liabilities:		
Due within one year		596,566
Due in more than one year		8,985,000
Pension liability		4,981,999
Total liabilities		16,473,249
NET ASSETS		
Invested in capital assets, net of related debt		3,614,616
Restricted for:		
General government		1,494,911
Debt services		195,392
Capital projects		-
Other purposes		12,578
Unrestricted		12,539,476
Total net assets	$	17,856,973

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Statement of Activities
For the Year Ended September 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Donations	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental activities:					
General Government	$ 6,884,732	$ 2,873,859	$ 31,061	$ -	$ (3,979,812)
Public Safety	4,709,023	119,013	-		(4,590,010)
Road Maintenance	4,248,165	652,470	2,519,417	-	(1,076,278)
Health/Welfare	163,634	-	-	-	(163,634)
Conservation of Nat. Resources	164,480	-	-	-	(164,480)
Culture and Recreation	351,668	6,664	5,089	-	(339,915)
Intergovernmental	1,400,558	-	-	-	(1,400,558)
Interest on long term debt	293,015	-	-	-	(293,015)
Vehicle Operation	1,106,929	-	-	-	(1,106,929)
Other	750	-	-	-	(750)
Total governmental activities	19,322,954	3,652,006	2,555,567	-	(13,115,381)

General revenues:	
Property taxes	12,341,617
Intergovernmental	1,429,601
Other/Interest/sale of property	913,471
Gain (loss) sale of equipment	(368,471)
Transfers (net)	-
Total general revenues and transfers	14,316,218
Change in net assets	1,200,837
Net assets - beginning	16,656,136
Net assets - ending	$ 17,856,973

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Balance Sheet
Governmental Funds
September 30, 2016

	Major Funds					Nonmajor Funds	
	General Fund	Road & Bridge Fund	Tobacco Fund	Capital Projects Fund	Debt Service Funds	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	$8,252,461	$ 631,657	$ 2,239,587	$ -	$193,410	$1,533,080	$ 12,850,195
Petty cash	1,780	-	-	-	-	-	1,780
Receivables (net of allowance for unc	695,502	1,454,190	-	-	51,512	2,263	2,203,467
Due from other funds	32,683	12,308	-	-	1,982	0	46,973
Inventory	21,289	-	-	-	-	0	21,289
Total assets	9,003,715	2,098,155	2,239,587	-	246,904	1,535,343	15,123,704
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	710,589	16,586	-	-	-	20,977	748,152
Wages payable	244,298	34,749	-	-	-	6,877	285,924
Deferred revenue	589,282	193,817	-	-	51,512	-	834,611
Total liabilities	1,544,169	245,152	-	-	51,512	27,854	1,868,687
Fund balances:							
Nonspendable							
Inventories	21,289	-	-	-	-	-	21,289
Restricted for							
General government		-	-	-	-	1,494,911	1,494,911
Unclaimed funds	-	-	-	-	-	11,304	11,304
Human services	-	-	-	-	-	1,274	1,274
Debt services	-	-	-	-	195,392	-	195,392
Capital projects	-	-	-	-	-	-	-
Unassigned	7,438,257	1,853,003	2,239,587	-	-	-	11,530,847
Total fund balances	7,459,546	1,853,003	2,239,587	-	195,392	1,507,489	13,255,017
Total liabilities and fund balances	9,003,715	2,098,155	2,239,587	-	246,904	1,535,343	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	11,631,007
Assets not available to pay for current-period expenditures	948,924
Recognition of the net pension liability and a deferred outflow of resources resulted in a decrease in net position.	(758,088)
Internal service fund is used to charge the costs of vehicle management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	2,377,293
Liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in the funds	(9,597,180)
Net assets of governmental activities	$ 17,856,973

Howard County, Tx
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	Major Funds					Nonmajor Funds	
	General Fund	Road & Bridge Fund	Tobacco Fund	Capital Projects Fund	Debt Service Funds	Other Governmental Funds	Total
REVENUES							
Taxes	$ 8,676,975	$ 2,853,889	$ -	$ -	$ 810,753	$ -	$ 12,341,617
License and permits	8,208	652,470	-	-	-	-	660,678
Intergovernmental	1,354,377	2,603,862	14,437	-	-	8,859	3,981,535
Charges for services	1,595,094	-	-	-	-	15,321	1,610,415
Fines/fees	664,354	-	-	-	-	482,257	1,146,611
Interest	39,357	6,170	8,893	-	950	5,426	60,796
Donations	-	-	-	-	-	5,089	5,089
Other/Insurance claim/Refund	806,398	-	-	-	1,210	0	807,608
Total revenues	13,144,763	6,116,391	23,330	-	812,913	516,952	20,614,349
EXPENDITURES							
General government	5,577,982	-	960	-	-	348,341	5,927,283
Public Safety	4,972,224	-	-	-	-	-	4,972,224
Road Maintenance	-	5,353,466	-	-	-	-	5,353,466
Health/Welfare	4,251	-	-	-	-	171,352	175,603
Conservation of Natural Resources	161,903	-	-	-	-	-	161,903
Culture and Recreation	378,198	-	-	-	-	-	378,198
Intergovernmental	1,400,558	-	-	-	-	-	1,400,558
Interest on debt	-	-	-	-	316,205	-	316,205
Bond principal	-	-	-	-	435,000	-	435,000
Capital outlay	230,247	-	-	-	-	3,437	233,684
Other	-	-	-	-	750	-	750
Total expenditures	12,725,363	5,353,466	960	-	751,955	523,130	19,354,874
Excess (deficiency) of revenues over expenditures	419,400	762,925	22,370	-	60,958	(6,178)	1,259,475
OTHER FINANCING SOURCES (USES)							
Transfers in	-	144,193	200,000		6,202	262,255	612,650
Transfers out	(447,500)	-	-	(144,193)	(6,202)	(14,755)	(612,650)
Total other financian sources (uses)	(447,500)	144,193	200,000	(144,193)	-	247,500	-
Net change in fund balances	(28,100)	907,118	222,370	(144,193)	60,958	241,322	1,259,475
Inventory increase (decrease)	(7,926)	-	-	-			(7,926)
Fund balances - beginning	7,495,572	945,885	2,017,217	144,193	134,434	1,266,167	12,003,468
Fund balances - ending	$ 7,459,546	$ 1,853,003	$ 2,239,587	$ -	$ 195,392	$ 1,507,489	$ 13,255,017

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2016

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

Net change in fund balances - total governmental funds	$	1,259,475
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		-88,144
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		-308,139
Internal service fund is used to charge the costs of vehice management to individual funds. The net revenue (loss) of this fund is reported with govermental activities.		337,645
Changes of net assets of governmental activities	$	1,200,837

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Major Funds - General and Road & Bridge
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Original and Final) and Actual
Year Ended September 30, 2016

	General Fund			Road and Bridge Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	$ 8,515,481	$ 8,652,000	$ 8,676,975	$ 2,785,102	$ 2,835,400	$ 2,853,889
License and permits	5,000	5,000	8,208	625,250	643,250	652,470
Intergovernmental	1,002,651	1,278,951	1,354,377	56,000	2,574,970	2,603,862
Charges for services	1,361,100	1,573,600	1,595,094	-	-	-
Fines/fees	571,800	734,600	664,354	-	-	-
Miscellaneous	51,700	780,000	806,398	-	-	-
Interest	15,150	38,500	39,357	3,000	3,000	6,170
Total revenues	11,522,882	13,062,651	13,144,763	3,469,352	6,056,620	6,116,391
Expenditures:						
Current						
General government	6,031,702	5,973,574	5,577,982	-	-	-
Road maintenance	-	-	-	3,768,561	6,287,977	5,353,466
Public safety	5,030,099	5,202,534	4,972,224	-	-	-
Health/welfare	13,100	13,100	4,251	-	-	-
Conservation of natural resources	170,151	170,668	161,903	-	-	-
Culture and recreation	441,484	445,202	378,198	-	-	-
Intergovernmental	1,550,713	1,402,758	1,400,558	-	-	-
Capital expenditures	85,000	235,683	230,247	-		-
Other	-	-	-	-	-	-
Total expenditures	13,322,249	13,443,519	12,725,363	3,768,561	6,287,977	5,353,466
Excess (deficiency) of revenues over expenditures	(1,799,367)	(380,868)	419,400	(299,209)	(231,357)	762,925
Other financing sources (uses):						
Operating transfers in	-	-	-	-	144,193	144,193
Operating transfers out	-	(1,252,308)	(447,500)	-	-	-
Total other financing sources (uses)	-	(1,252,308)	(447,500)	-	144,193	144,193
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,799,367)	(1,633,176)	(28,100)	(299,209)	(87,164)	907,118
Fund balance-October 1	7,500,000	7,495,572	7,495,572	650,000	945,885	945,885
Increase (decrease) In reserve for inventory	-	(7,926)	(7,926)	-	-	-
Fund balance-September 30	$ 5,700,633	$ 5,854,470	$ 7,459,646	$ 350,791	$ 858,721	$ 1,853,003

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Major Funds - Tobacco and Debt Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Original and Final) and Actual
Year Ended September 30, 2016

	Tobacco Fund			Debt Service Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	$ -	$ -	$ -	$ 786,723	$ 786,723	$ 810,753
License and permits	-	-	-	-	-	-
Intergovernmental	10,850	10,850	14,437	-	-	-
Charges for services	-	-	-	-	-	-
Fines/fees	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	1,210
Interest	2,700	2,700	8,893	500	500	950
Total revenues	13,550	13,550	23,330	787,223	787,223	812,913
Expenditures:						
Current						
General government	-	1,000	960	-	-	-
Road maintenance	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health/welfare	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Capital expenditures	2,163,550	2,162,550	-	-	-	-
Debt service	-	-	-	803,074	803,174	751,955
Total expenditures	2,163,550	2,163,550	960	803,074	803,174	751,955
Excess (deficiency) of revenues over expenditures	(2,150,000)	(2,150,000)	22,370	(15,851)	(15,951)	60,958
Other financing sources (uses):						
Operating transfers in	200,000	200,000	200,000	-	6,202	6,202
Operating transfers out	-	-	-	-	(6,202)	(6,202)
Total other financing sources (uses)	200,000	200,000	200,000	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,950,000)	(1,950,000)	222,370	(15,851)	(15,951)	60,958
Fund balance-October 1	2,000,000	2,017,217	2,017,217	120,000	134,434	134,434
Increase (decrease) in reserve for inventory	-	-		-	-	-
Fund balance-September 30	$ 50,000	$ 67,217	$ 2,239,587	$ 104,149	$ 118,483	$ 195,392

The notes to the financial statements are an integral part of this statement.

Howard County, TX

Notes to the Financial Statements

September 30, 2016

I. Summary of significant accounting policies

Reporting entity

Howard County is the primary local county government. County government is a part of the State of Texas and a unit of local government. As part of the State, its structure is set out in the Texas Constitution and its operations prescribed in detail by state statutes. The County's operations are overseen by an elected commissioners court consisting of four commissioners, each elected from one of four precincts, and a county judge elected on a county-wide basis.

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statements of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental funds:

The General fund is the County's primary operating fund. It is the basic fund of the county and covers all activities for which a special fund has not been established.

The Road and Bridge fund is designed to account for current funds used for the purpose of operation, construction, and maintenance of county roads.

The Tobacco fund accounts for funds received as a result of a law suit brought by the attorney general of the State of Texas. There are no restrictions on how the funds are spent by the commissioner's court.

The Debt Service funds are used to account for the accumulation of resources for the payment of principal and interest on long-term debt.

The government reports the following proprietary fund:

The Internal Service fund - Equipment Operating - consists of one department that operates on funds derived from other county departments for rental of vehicles and equipment for the road and bridge, sheriff, extension agent, maintenance, and fire departments.

Assets, liabilities, and net assets or equity

Deposits and investments

The County's cash and investments consist of cash on hand and investment pools. Investments are made in accordance with an investment policy, approved annually by the Commissioners' Court, which includes the following authorized investment instruments:

A. Obligations of the United States of America, its agencies and instrumentalities.
B. Direct obligations of the State of Texas and agencies thereof.
C. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States of America
D. Certificates of deposit of state and national banks doing business in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations described in (A) through C) above, in market value no less than the principal of the certificates.
E. Negotiable Order of Withdrawal accounts.
F. Eligible public funds investment pool.

During the year the County chose to invest its funds in pools (TexPool, MBIA's Texas CLASS, LOGIC-Local Government Investment Cooperative, and TexStar). Investments in the pools and certificates which mature within three months of purchase date are reported as cash equivalents. Those certificates which have a maturity time of greater than three months are reported as investments on the financial statements. The County does not purchase certificates with maturities greater than one year. In accordance with Statement No. 31 of the Governmental Accounting Standards Board, these certificates are carried at cost.

The State Comptroller oversees TexPool, an AAAm rated pool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the Comptroller. Wells Fargo is the custodian bank for Texas CLASS, and in addition, there is a board of directors that oversees the pool which is rated AAA by Fitch. MBIA MISC manages the daily operation of the pool. LOGIC is an AAA rated investment program administered by First Southwest Asset Management, Inc. and JP Morgan Chase. TexStar is rated AAAm by Standard and Poor's and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. These pools are 2(a) 7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest is accrued daily and paid monthly. The reported value of the pools is the same as the fair value of the pool shares.

As of September 30, 2016, the County had the following investments:

Investment Type	Fair Value
Investment Pools	$10,151,454

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Teas or its agencies and instrumentalities that have fair value of not less than the principal amount of deposits. As of September 30, 2016, the County's deposit balance was entirely collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds".

All property taxes receivable are shown net of an allowance for uncollectible, equal to 5 percent of outstanding property taxes at year end.

The value of taxable property is determined by the appraisal of each property in Howard County by the Tax Appraisal Office. Size (measurement), structure, type buildings, use, and age are factors which determine the value of properties. The appraisal value is furnished to the Tax Collector by the Appraisal Office and Appraisal Review Board. The taxpayer may render these properties prior to May 1 at his estimate of value. If the appraisal of property is higher than the taxpayer's rendition, he is notified to meet with the Appraisal Review Board. It is the duty of the Review Board to sit as the Equalization Board and review the assessment roll for equalization of value. It is not their duty to set values, but insure equity of value. The Howard County Tax Collector assesses and collects taxes for Howard College, City of Big Spring, City of Coahoma, City of Forsan, Forsan School, Coahoma School, Howard County Water Control and Improvement District, Big Spring Independent School District, Permian Basin Underground Water Conservation District, as well as Howard County.

Tax rolls are generally completed by October 1 of each year and tax bills mailed by October 1st or as soon thereafter as practicable.

Ad valorem taxes are due and payable, without penalty or interest, from October 1 of the year in which levied until the following January 31, and thereafter are subject to interest plus penalty. Collections of the current year's levy are reported as current collections if made by June 30 and collections made thereafter are reported as delinquent collections.

The County's taxes on real property are a lien against such property until paid. The County may cause real property upon which it has a lien for unpaid taxes to be foreclosed, with the exception of homestead property belonging to persons 65 years of age or older. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on real property not otherwise collected are generally paid at such time as there is a sale or other disposition of the property.

The County's ad valorem tax is imposed on real property and certain personal property situated in the County. Property which is exempt from taxation includes certain properties of religious, educational and charitable organizations, household goods and personal effects not held or used for the production of income, farm products in the hands of producers, certain properties of other governmental entities, property moving in interstate commerce, with certain limitations on value, properties of disabled veterans and their survivors and $12,000 plus 20% of assessed valuation of homestead property of persons 65 years of age or older and 100% veteran homestead.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (effective 9/04 CAFR), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the county as assets with an initial cost of more than $5,000 for equipment and $100,000 for property and infrastructure assets. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The County received grant funds this year from the TX Department of Transportation to alleviate degradation caused to public roads, bridges, and culverts by the exploration, development, or production of oil or gas. However, it is the opinion of the County Engineer that none of the projects completed met the criteria for capitalization; the work simply brought old roadways up to standard, and the work did not increase the service life or load bearing capacity of the road and did not add capacity.

Property and equipment of the county is depreciated using the straight line method.

4. Long-term obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

In the fund financial statements, governmental fund types recognize bond principal and interest costs during the current period.

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

Net Assets

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

Fund Balance Classification

Fund balances as classified in a hierarchy based on the strength of the constraints governing how those balances can be spent. These classifications are listed below in descending order of restrictiveness:

Nonspendable—This classification includes amounts that cannot be spent because they: (a) are not in spendable form (e.g. inventories and prepaid items; (b) are not expected to be converted into cash within the current period or at all (e.g., long-term receivables); or (c) are legally or contractually required to be maintained intact (e.g., the non-spendable corpus or an endowment).

Restricted—This classification includes amounts subject to usage constraints that have either been: (a) externally imposed by creditors (e.g., through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—This classification includes amounts that are constrained to use for specific purposes pursuant to formal action of the Commissioners Court. These amounts cannot be used for other purposes unless the Court removes or changes the constraints via the same type of action used to initially commit them.

Assigned—This classification includes amounts intended by the county for use for a specific purpose but which do not qualify for classification as either restricted or committed. The intent can be expressed by Commissioners Court or by a Court designee (e.g., a department head). This classification applies to the positive unrestricted and uncommitted fund balances of all governmental funds except the General Fund.

Unassigned-- This classification applies to the residual fund balances of the General Fund and to any deficit fund balances of other governmental funds.

Order of spending: Where appropriate, Howard County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but it reserves the right to deviate from this general strategy.

. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, and not due and payable in the current period and therefore are not reported in the funds." The details of this $9,597,180 are as follows.

Bonds Payable:	
Due within one year	$410,000
Due in more than one year	8,985,000
Accrued interest payable	25,608
Compensated Absences Payable	176,572
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	$9,597,180

B. Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "some expenses reported in the statement of activity that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds". The details of this $308,139 difference are as follows:

Depreciation	$1,589,257
Interest payable related to prior period	25,608
Increase in compensated absences	21,736
Increase in inventory	7,926
Purchase of capital assets	-42,431
Interest payable not liquidated with current resources	-48,798
Convert debt principal payments to liability reduction	-435,000
Pension	-800,644
Net adjustment	$317,654

III. Stewardship, compliance, and accountability

A. Budgetary information

Each fiscal year Howard County adopts an annual operating budget. This budget is a plan of proposed expenditures and the means to finance them. It not only serves as a plan for County operations (it is a statement of policy by the Commissioners' Court) but also to prevent deficit spending. The county employs an encumbrance accounting system as a method accomplishing budgetary control. At year-end, open encumbrances are closed and re-appropriated within the following year's budget.

Howard County follows the procedures listed below in establishing budgetary data reflected in the financial statements.

The County Auditor compiles figures from the prior budget year and estimates of the current year for each department. These are given to each department head and after consideration each department head submits his budget requests for the upcoming budget year. The County Judge and Auditor then submit to the Commissioners' Court an estimate of revenues and the requests of each department. The Commissioners' Court conducts budget workshops at which time hearings are held with the department heads, if needed. Public hearings are held on the budget to encourage citizen participation.

Once the budget is approved, adopted by the Commissioners' Court and filed with the County Clerk, the budget is incorporated into the accounting records. No revenue is taken in or expenditures made without being recorded in the records of the County. This enables the County Auditor to monitor the progress of receipts and expenditures against budgeted figures and keeps the Commissioners' Court aware of how the County's financial plan is working.

After final approval of the budget, the Commissioners' Court may spend County funds only in strict compliance with the budget, except in an emergency. The Commissioners' Court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet unusual and unforeseen conditions that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the Court amends the budget to meet an emergency, the Court files copies of its order amending the budget with the County Clerk. The Commissioners' Court by order may amend the budget to transfer an amount budgeted from one item to another budgeted item without authorizing an emergency expenditure. Line-item amounts at the object level may not be exceeded without budget amendments and all amendments require governing authority approval. Appropriate revisions are posted to the affected budgetary account by the County Auditor.

Detailed notes on all funds

A. Receivables

Receivables at year end for the government's individual major funds, nonmajor/other funds, and internal service funds are as follows:

Receivables:

Funds	General	Road & Bridge	Debt Svc.	Nonmajor/Other	Internal Svc.	Total
Receivables:						
Fines & Fees	$ 948,924	$ -	$ -	$ -	$ -	$ 948,924
Taxes, net of uncoll.	589,281	193,817	51,512	-	-	834,610
Accounts	138,904	1,273,808	1,982	1,136	150	1,415,980
Total	$ 1,677,109	$1,467,625	$ 53,494	$ 1,136	$ 150	$ 3,199,514

Capital assets

Capital asset activity for the year ended September 30, 2016 was as follows:

Governmental Activities:	
Capital assets, not being depreciated:	
Land	**$ 589,576**
Capital assets, being depreciated:	
Buildings	**19,990,879**
Machinery and equipment	**1,663,377**
Less accumulated depreciation:	
Buildings, machinery and equipment	**(10,612,825)**
Governmental Activities Capital Assets, Net	**11,631,007**
Business-type Activities:	
Machinery and equipment	**5,052,997**
Less accumulated depreciated	**(3,674,388)**
Business-Type Activities Capital Assets, Net	**$ 1,378,609**

Capital Assets Used in the Operation of Governmental Funds - Schedule by Source, Schedule by Function and Activity, and Schedule of Changes by Function and Activity, provide additional information about the County's capital assets and can be found in the financial section of this report. The County chose to report roads prospectively, not retroactively, beginning with the 2004 fiscal year.

Interfund receivables, payables, and transfers

The composition of interfund balance as of September 30, 2016, is as follows:

Due to/from other funds:

Receivable Fund:	Payable Fund:	Amount:
General Fund	Agency Funds	$ 32,683
Road & Bridge Fund	Agency Funds	12,308
Debt Service Fund	Agency Funds	1,982
Total		$ 46,973

Transfers to/from other funds:

Transfers Out:	Transfers In:	Amount:
Capital Projects Fund	Road & Bridge Fund	$ 144,193
General Fund	Special Revenue Funds	447,500
Debt Service Fund (old)	Debt Service Fund (new)	6,202
Expend. Trust Fund (Co.Atty.)	Expend. Trust Fund (Sheriff)	14,755
Total		$ 612,650

D. Leases

The County leases equipment under noncancellable operating leases. Total costs for such leases were $36,902 for the year ended September 30, 2016. The future payments or these leases are as follows:

Year Ending September 30		Amount
2017	$	25,952
2018		9,782
2019		7,166
Total	$	42,900

Accumulated Unpaid Vacation, Compensatory and Sick Leave Benefits

Unpaid Vacation and Compensatory Time

At September 30, 2016 the County had $186,566 in accumulated unpaid vacation. This amount has been reflected in the government wide financial statements. The obligation is not recognized in the government fund financial statements until they are due and payable, because they are not considered to be uses of current financial resources until that time.

Sick Leave

Sick leave is not paid upon termination and therefore is not accrued.

Bonds Payable

During 2008 the County issued $11,570,000 in general obligation bonds with interest rates of 4.00% to 5.00% to finance the construction and equipping of a new jail and the acquisition of a site thereof. In 2015 Howard County issued $8,705,000 in general obligation refunding bonds with interest rates of 2.00% to 4.00%.

The debt service schedule for 2016-2033 follows:

Debt Service Schedule

2016-2033

shaded = Paid

	Outstanding Debt					The Bonds					Fiscal
Date	Principal	Coupon	Interest	Total P+I	Total	Principal	Coupon	Interest	Total P+I	Total	Total
2/15/16	$ 360,000	4.00%	$ 22,500.00	$ 382,500.00		$ 75,000	2.00%	$ 120,142.78	$ 195,142.78		
8/15/16			15,300.00	15,300.00	397,800.00			158,262.50	158,262.50	353,405.28	751,205.28
2/15/17	375,000.00	4.00%	15,300.00	390,300.00		35,000.00	2.00%	158,262.50	193,262.50		
8/15/17			7,800.00	7,800.00	398,100.00			157,912.50	157,912.50	351,175.00	749,275.00
2/15/18	390,000.00	4.00%	7,800.00	397,800.00	397,800.00	35,000.00	2.00%	157,912.50	192,912.50		
8/15/18								157,562.50	157,562.50	350,475.00	748,275.00
2/15/19						440,000.00	3.00%	157,562.50	597,562.50		-
8/15/19								150,962.50	150,962.50	748,525.00	748,525.00
2/15/20						455,000.00	3.00%	150,962.50	605,962.50		-
8/15/20								144,137.50	144,137.50	750,100.00	750,100.00
2/15/21						475,000.00	3.50%	144,137.50	619,137.50		-
8/15/21								135,825.00	135,825.00	754,962.50	754,962.50
2/15/22						485,000.00	3.50%	135,825.00	620,825.00		-
8/15/22								127,337.50	127,337.50	748,162.50	748,162.50
2/15/23						505,000.00	3.50%	127,337.50	632,337.50		-
8/15/23								118,500.00	118,500.00	750,837.50	750,837.50
2/15/24						520,000.00	3.50%	118,500.00	638,500.00		-
8/15/24								109,400.00	109,400.00	747,900.00	747,900.00
2/15/25						540,000.00	3.50%	109,400.00	649,400.00		-
8/15/25								99,950.00	99,950.00	749,350.00	749,350.00
2/15/26						560,000.00	3.50%	99,950.00	659,950.00		-
8/15/26								90,150.00	90,150.00	750,100.00	750,100.00
2/15/27						580,000.00	3.50%	90,150.00	670,150.00		-
8/15/27								80,000.00	80,000.00	750,150.00	750,150.00
2/15/28						600,000.00	4.00%	80,000.00	680,000.00		-
8/15/28								68,000.00	68,000.00	748,000.00	748,000.00
2/15/29						625,000.00	4.00%	68,000.00	693,000.00		-
8/15/29								55,500.00	55,500.00	748,500.00	748,500.00
2/15/30						655,000.00	4.00%	55,500.00	710,500.00		-
8/15/30								42,400.00	42,400.00	752,900.00	752,900.00
2/15/31						680,000.00	4.00%	42,400.00	722,400.00		-
8/15/31								28,800.00	28,800.00	751,200.00	751,200.00
2/15/32						705,000.00	4.00%	28,800.00	733,800.00		-
8/15/32								14,700.00	14,700.00	748,500.00	748,500.00
2/15/33						735,000.00	4.00%	14,700.00	749,700.00	749,700.00	749,700.00
	$ 1,125,000		$ 68,700.00	$ 1,193,700.00	$ 1,193,700.00	8,705,000.00		3,598,942.78	12,303,942.78	12,303,942.78	13,497,642.78

Other information

Risk management

The county is exposed to various risks of loss related to general liability, workers compensation, automobile liability, and property damage. To reduce its risk exposure in these areas, the county contracts with USI Southwest, Inc., Inc. to provide coverage for property/commercial equipment, general liability, crime, commercial automobile, public officials liability/employment practices liability and law enforcement liability.

All full-time eligible employees are provided, at no cost to the employee, medical and dental insurance. For employees with dependents covered prior to 10-1-99, the cost to the employee is $100 per month. At 9-30-16 there were 9 employees in this category. For those dependents covered at or after 10-1-99, the entire cost for dependent coverage is paid by the employee. Coverage is provided by Blue Cross/Blue Shield Insurance Company. The County's obligation for health insurance benefits is limited to the monthly premiums payable during the year and is based upon the number of enrolled employees and dependents during the year. At 9-30-16, the number of enrolled employees is 135 for medical insurance and 138 for dental insurance.

A $10,000 life insurance policy, through Blue Cross/Blue Shield Insurance Company, is provided full-time eligible employees, at no cost to the employee. Also, a policy is provided through the Texas County and District Retirement System in an amount equal to the employee's annual salary at the date of death.

Contingent liabilities (Source: Howard County Attorney)

As of 9/30/16 there are no claims or possible assessments against Howard County. In addition, there is no pending or threatened litigation against the County.

Deferred Compensation Plan

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. Nationwide Retirement Solutions and AIG Valic have been appointed as plan administrators. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or emergency. The plan administrators handle all funds in the plan and make investment decisions and disburse funds to employees in accordance with plan provisions.

Other postemployment health care benefits (OPEB)

Retiree Health Care Plan

Beginning in FY2013, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions". In connection with such implementation, the County has commissioned an actuarial study from an outside consultant to quantify the amount of the County's OPEB obligations.

Plan Description. The Retiree Health Care Plan provides health care benefits to eligible retirees. These retiree benefits are authorized by the Commissioners' Court and are considered a substantive plan under GASB 45.

Plan Eligibility. A retiree who became employed with Howard County on or before August 25, 2003, and who retired or retirees under Texas County and District Retirement System (TCDRS), and a) who is age 65 or older with at least 12 year service with Howard County, or b) whose age plus years of service with Howard County equals at least 75, will be allowed to continue to receive benefits in the County's health program at the same level as currently employed County employees, at no cost to the retiree.

A TCDRS retiree who became employed with Howard County on or before August 2003, and who does not meet the requirements set out in a) or b), above, will be allowed to continue to receive benefits in the County's health program at the same level as currently employed County employees, at a cost to the retiree of 50 percent of the premium. Once the retiree meets the requirements above (i.e. turns 65 with 12 years service with Howard County or whose age plus years of service with Howard County equals 75), the County will pay the full premium.

A TCDRS retiree who became employed with Howard County on or before August 25, 2003, and who retires or retired because of a disability will be allowed to continue to receive benefits in the County's health program at the same level as currently employed County employees, at no cost to the retiree, regardless of age or years of service.

Employees hired by Howard County after August 25, 2003, will not be eligible for retiree health insurance benefits, regardless of age, years of service or disability status.

Health Care and Other Benefits. Retiree medical coverage for eligible retirees is the same as coverage provided to active County employees in accordance with the terms and conditions of the current health care coverage.

Funding Policies. The County does not make annual contributions to the plan. The decision to provide these benefits is made by the Commissioners' Court on a year-to-year basis. The cost of health insurance benefits is recognized as an expenditure as premiums are paid.

GASB 45 requires the use of a discount rate consistent with the investment return on the employer's general assets. In the valuation, the discount rate is 4.0%.

The actuarially determined contribution requirement for the County's fiscal year is computed through an actuarial valuation performed as of October 1, 2016. The actuarial valuation is performed to determine the adequacy of the contribution rate, to describe the current financial condition of OPEB and to analyze changes in conditions.

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 of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. 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.

Projections of benefits are based on the plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members 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 are as follows:

Acturial Methods and Assumptions:	
Acturial Method	Projected Unit Cost Method
Discount Rate	4.00% (1.00% real rate of return plus 3.00% inflation)
Amortization Period	The period used to determine amortization costs for the initial Unfunded Acturial Accrued Liability is a level period for 30 years on an open bais.
Health Care Cost Trend	7.50% for FY2016 grading down to 5.00% for FY2020 and after for medical. The Meciare supplement trend is a level 5.00%.

The County's Annual OPEB Cost Summary, Projected September 30, 2016 Net OPEB Obligation (NOO), and Projected Schedule of Funding Progress follow:

Annual OPEB Cost Summary

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed)	Net OPEB Obligation
September 30, 2014+	$ 501,267	60.53%	$ 521,872
Septemember 30, 2015+	$ 501,514	62.40%	$ 710,448
September 30, 2016	$ 618,773	54.63%	$ 991,160

*Based on expected net OPEB benefit payments of $320,872 for the current fiscal year end.

+From 2014 CAFR OPEB note.

Projected September 30, 2016 Net OPEB Obligation (NOO)

	Total
October 1, 2015 Net OPEB Obligation (NOO)	710,448
Annual OPEB Cost (AOC)	618,773
Expected Net OPEB Payments+	(338,061)
Expected September 30, 2016 Net OPEB Obligati(	991,160

+includes actual FY2015 contribution Payments of $320,872

Projected Schedule of Funding Progress

	Acturial Value of Assets (a)	Acturial Accrued Liability Project Unit Credit (b)	Unfunded Acturial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll ©	Unfunded Acturial Accrued Liability as a Percentage Covered Payroll [(b)-(a)]/©
October 1, 2013	0	7,203,561	7,203,561	0%	5,389,788	133.65%
October 1, 2014	0	7,518,364	7,518,364	0%	6,169,781	121.86%
October 1, 2015	0	9,315,564	9,315,564	0%	6,009,539	155.01%

Life Insurance

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

The GTLF 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 GTLF. This report may be obtained by writing to the Texas County & District Retirement System, P. O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Howard County contributions to the GTLF for the years ended September 30, 2014, 2015, and 2016 were $31,990, $31,971 and $29,069 respectively, which equaled the contractually required contributions each year which included employees and retirees.

Employee retirement system and pension plan (Source: TCDRS)

Plan Description—Howard County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

A brief description of benefit terms:

1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
2) The plan provides retirement, disability and survivor benefits.
3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

Membership information is shown in the following chart:

Members	12/31/2014	12/31/2015
Number of inactive employees entitled to but not yet receiving benefits	105	108
Number of active employees	161	173
Average monthly salary *	$ 3,307	$ 3,543
Average age*	46.25	47.11
Average length of service in years*	8.06	8.35
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients	109	114
Average monthly benefit	$ 1,379	$ 1,474

**Averages reported for all active and inactive employees.*
Average service includes all proportionate service.

The County's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Howard County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2013, 2014, and 2015 are show below:

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution (1)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2013	$ 933,873	$ 1,033,871	$ (99,999)	$5,891,943	17.50%
2014	1,069,194	1,369,194	(300,000)	6,356,686	21.50%
2015	1,126,613	1,497,831	(371,218)	7,121,444	21.00%

(1) TDCRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2)Payroll is calculated based on contributions as reported to TCDRS.

The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Actuarial Methods and Assumptions

Following are the key assumptions and methods used in the GASB analysis:

Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal (1)
Asset Valuation Method:	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Investment Rate of Return	8.10%
Salary Increase	1.40%
Payroll Growth	3.50%

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculation. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Mortality – Rates were based on the following:

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

Long-Term Expected Rate of Return

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 valuation assumptions for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
Internal Equities-Developed	10.00%	5.45%
Internal 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%
Master Limited Partnerships	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%

Discount Rate –

	December 31, 2014	December 31, 2015
Discount Rate (1)	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%

(1) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of Dec. 31, 2014	$ 34,523,486	$ 31,454,885	$ 3,068,601
Changes for the year:			
Service Cost	947,838		947,838
Interest on total pension liability (1)	2,766,096		2,766,096
Effect on plan changes (2)	(136,837)		(136,837)
Effect on economic/demographic gains or losses	116,885		116,885
Effect of assumptions changes or inputs	436,545		436,345
Refund of contributions	(107,015)	(107,015)	-
Benefit payments	(1,903,484)	(1,903,484)	-
Administrative expenses		(22,706)	22,706
Member contributions		498,501	(498,501)
Net investment income		64,306	(64,306)
Employer contributions		1,497,831	(1,497,831)
Other (3)	-	178,997	(178,997)
Balances as of Dec. 31, 2015	36,643,514	31,661,315	4,981,999

(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.

January 1, 2018.

(3) Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Howard County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Disc. Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 40,754,979	$ 36,643,314	$ 33,173,015
Fiduciary net position	31,661,315	31,661,315	31,661,315
Net pension liability/(asset)	$ 9,093,665	$ 4,981,999	$ 1,511,700

Pension Expense

Pension Expense/(Income)	January 1, 2015 to December 31, 2015
Service Cost	$ 947,838
Interest on total pension liability (1)	2,766,096
Effect on plan changes	(136,837)
Administrative expenses	22,706
Member contributions	(498,501)
Expected investment return net of investment expenses	(2,576,196)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	52,012
Recognition of assumption changes or inputs	109,086
Recognition of investment gains or losses	580,231
Other (2)	(178,997)
Pension expense/(income)	$ 1,087,438
Adjusted for difference if fiscal years	(320,745)
	$ 719,693

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

(2) Relates to allocation of system-wide items.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period (1)	Amount Recognized in 12/31/2015 Expense (1)	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
Investment (gains) or losses						
	$ 2,511,890	12/31/2015	5.0	$ 502,378	$ -	$ 2,009,512
	389,267	12/31/2014	5.0	77,853	-	233,560
Economic/demographic (gains) or losses						
	116,885	12/31/2015	4.0	29,221	-	87,664
	91,161	12/31/2014	4.0	22,790	-	45,581
Assumption changes or inputs						
	436,345	12/31/2015	4.0	109,086	-	327,259
	-	12/31/2014	4.0	-	-	-
						2,703,576

(1) Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired membe

State Grants/Federal Assistance

The County was awarded the following state grants/federal assistance during the fiscal year:

$16,524 from the Office of Attorney General, #1659952, for Statewide Automated Victim Notification Services (SAVNS)

$31,061 from the Texas Task Force on Indigent Defense, #212-16-114, for indigent defense services.

CTIF-01-115 County Transportation Infrastructure Fund Grant Program (Road Grant), an agreement made by and between the State of Texas, acting by and through the TX Department of Transportation.

Road Grant Recap

Total Activity through 9-30-16

Invoice	Amount Received	
1	$ 53,396.34	Note 1
2	66,644.86	Note 1
3	52,993.02	
4	75,919.74	
5	98,458.56	
6	114,786.73	
7	442,931.36	
8	182,664.23	
9	165,274.10	
10	260,309.21	
11	1,006,038.64	
	$ 2,519,417	

	State Reimbursed 80% of Total Paid	Paid:	Admin	Employee Labor	Equip. Usage	Materials/ Contract Labor	Legal	Total Paid
Invoice 1	$ 53,396.34	14-15 FY	$ 31,880	$ -	$ -	$ 20,374	$ 14,491	$ 66,745
Invoice 2	66,644.86	14-15 FY	919.60	2,055.92	2,240.00	78,090.55		83,306.07
Subtotal	120,041.20	14-15 FY	32,799.60	2,055.92	2,240.00	98,464.56	14,491.41	150,051.49
Invoice 3	52,993.02	15-16 FY	689.70	2,055.92	2,240.00	61,255.66		66,241.28
Invoice 4	75,919.74	15-16 FY	689.70	-	-	94,209.98	-	94,899.68
Invoice 5	98,458.56	15-16 FY	689.70	-	-	122,383.50	-	123,073.20
Invoice 6	114,786.73	15-16 FY	1,839.20	494.24	416.00	140,733.97	-	143,483.41
Invoice 7	442,931.36	15-16 FY	3,678.40	4,145.53	3,279.44	544,704.02	-	555,807.39 Note 2
Invoice 8	182,664.23	15-16 FY	3,678.40	4,551.40	3,187.50	216,720.49	192.50	228,330.29
Invoice 9	165,274.10	15-16 FY	5,517.60	-	-	201,074.93	-	206,592.53
Invoice 10	260,309.21	15-16 FY	5,517.60	-	-	319,868.92	-	325,386.52
Invoice 11	1,006,038.64	15-16 FY	5,517.60	-	-	1,252,030.70	-	1,257,548.30
Subtotal	$ 2,519,417		$ 60,618	$ 13,303	$ 11,363	$ 3,051,447	$ 14,684	$ 3,151,414

Note 1 2014-15 business, received 15-16 FY

Note 2 Failed to charge State $1714. Invoice 7

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Continued

	170 Law Library Fund	190 Indigent Health Care Fund	240 District Court Building Fund	230 Records Management Document Filing Fee Fund	231 Records Management Court Fees Fund	229 Vital Records Preservation Co. Clerk Fund	227 Records Management District Clerk Fund	228 Records Archive Co. Clerk Fund
Cash	$ 65,092	$ 5,221	$ 1,048	$ 239,882	$ 30,480	$ 23,132	$ 7,187	$ 446,927
Receivables:								
Accounts	1,127	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	66,219	5,221	1,048	239,882	30,480	23,132	7,187	446,927
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	1,457	54	-	-	-	-	-	-
Wages payable	-	3,893	-	-	-	-	-	-
Total liabilities	1,457	3,947	-	-	-	-	-	-
Fund balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	-	-
Restricted for:								
General Government	64,762	-	1,048	239,882	30,480	23,132	7,187	446,927
Unclaimed Funds	-	-	-	-	-	-	-	-
Human Services	-	1,274	-	-	-	-	-	-
Total fund balances	64,762	1,274	1,048	239,882	30,480	23,132	7,187	446,927
Total liabilities and fund balance	66,219	5,221	1,048	239,882	30,480	23,132	7,187	446,927

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Continued

	232 Juvenile Delinquency Prevention Fund	220 Courthouse Security Fund	234 Justice Court Technology Fund	236 Alternative Dispute Resolution Fund	226 Child Abuse Prevention Fund	306 Election Admin. Fund	221 Justice Court Bldg. Security Fund	243 FEMA Fund
Cash	$ 25	$ 21,451	$ 37,022	$ 275	$ 2,851	$ 45,384	$ 31,775	$ 209,955
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	25	21,451	37,022	275	2,851	45,384	31,775	209,955
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	8,667
Wages payable	-	2,509	-	-	-	-	-	-
Total liabilities	-	2,509	-	-	-	-	-	8,667
Fund balances:								
Nonspendable								
Inventory	-	-	-	-	-	-	-	-
Restricted for								
General Government	25	18,942	37,022	275	2,851	45,384	31,775	201,288
Unclaimed Funds	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-
Total fund balances	25	18,942	37,022	275	2,851	45,384	31,775	201,288
Total liabilities and fund balance	25	21,451	37,022	275	2,851	45,384	31,775	209,955

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Continued

	Assessor Collector Special Inventory Fund	County Attorney Hot Check Fund	District Attorney Hot Check Fund	Sheriff Drug Seizure Fund	District Attorney Drug Seizure Fund	Unclaimed Money Fund	Abandoned Property Fund
Cash	$ 7,020	$ 14,601	$ -	$ 30,413	$ 38,236	$ 11,304	$ 21,777
Receivables:							
Accounts	-	-	-	-	-	-	-
Due from other funds	-	-		-	-	-	-
Total assets	7,020	14,601	-	30,413	38,236	11,304	21,777
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	-	18	-	1,880	-	-	3,086
Wages payable	-	-	-	-	-	-	-
Total liabilities	-	18	-	1,880	-	-	3,086
Fund balances:							
Nonspendable							
Inventory	-	-	-	-	-	-	-
Restricted for							
General Government	7,020	14,583	-	28,533	38,236		18,691
Unclaimed Funds	-	-	-	-	-	11,304	-
Human Services	-	-	-	-	-	-	-
Total Fund Balance	7,020	14,583	-	28,533	38,236	11,304	18,691
Total liabilities and fund balance	7,020	14,601	-	30,413	38,236	11,304	21,777

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Continued

	Chapter 19 Fund	Jail Commissary Fund	235 District Court Records Technology Fund	237 County Court Technology Fund	238 District Court Technology Fund	241 District Court Records Preservation Fund	242 County Court Records Preservation Fund	245 County Attorney Diversionary Fund
Cash	$ (661)	$ 39,779	$ 33,542	$ 1,458	$ 907	$ 48,561	$ 2,929	$ 54,897
Receivables:								
Accounts	1,136	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	475	39,779	33,542	1,458	907	48,561	2,929	54,897
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	-	5,815	-	-	-	-	-	-
Wages payable	475	-	-	-	-	-	-	-
Total liabilities	475	5,815	-	-	-	-	-	-
Fund balances:								
Nonspendable								
Inventory	-	-	-	-	-	-	-	
Restricted for								
General Government		33,964	33,542	1,458	907	48,561	2,929	54,897
Unclaimed Funds	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-
Total fund balances	-	33,964	33,542	1,458	907	48,561	2,929	54,897
Total liabilities and fund balance	475	39,779	33,542	1,458	907	48,561	2,929	54,897

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	249 County Library Donation Fund	District Court Records Archive Fund	Total
Cash	$ 56,800	$ 3,810	$ 1,533,080
Receivables:			
Accounts	-	-	2,263
Due from other funds	-	-	-
Total assets	56,800	3,810	1,535,343
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	-	-	20,977
Wages payable	-	-	6,877
Total liabilities	-	-	27,854
Fund balances:			
Nonspendable			
Inventory			-
Restricted for			
General Government	56,800	3,810	1,494,911
Unclaimed Funds	-	-	11,304
Human Services	-	-	1,274
Total fund balances	56,800	3,810	1,507,489
Total liabilities and fund balance	56,800	3,810	1,535,343

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2016

Continued

	170 Law Library Fund	190 Indigent Health Care Fund	240 District Court Building Fund	230 Records Management Document Filing Fee Fund	231 Records Management Court Fees Fund	229 Vital Records Preservation Co. Clerk Fund	227 Records Management District Clerk Fund	228 Records Archive Co. Clerk Fund
Revenues:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Program income	-	-	-	-	-	-	-	-
Fines/fees	20,011	-	-	128,349	11,785	2,991	2,960	127,750
Interest	293	-	3	841	83	71	77	1,553
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-		-	-	-	-	-	-
Total revenue	20,304	-	3	129,190	11,868	3,062	3,037	129,303
Expenditures:								
Current								
General government	13,556	-	-	34,536	3,646	480	30,000	-
Welfare/health	-	171,352	-	-	-	-	-	-
Capital expenditures		-	-	-	-	-	-	-
Total expenditures	13,556	171,352	-	34,536	3,646	480	30,000	-
Excess (deficiency) of revenues over expenditures	6,748	(171,352)	3	94,654	8,222	2,582	(26,963)	129,303
Other financing sources (uses):								
Operating transfers in	-	172,500	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financial sources (uses)	-	172,500	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	6,748	1,148	3	94,654	8,222	2,582	(26,963)	129,303
Fund balance-October 1	58,014	126	1,045	145,228	22,268	20,550	34,150	317,624
Fund balance-September 30	$ 64,762	$ 1,274	$ 1,048	$ 239,882	$ 30,480	$ 23,132	$ 7,187	$ 446,927

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2016

Continued

	232 Juvenile Delinquency Prevention Fund	220 Courthouse Security Fund	234 Justice Court Technology Fund	226 Child Abuse Prevention Fund	306 Election Admin. Fund	221 Justice Court Building Security Fund	236 Alternative Dispute Resolution Fund	243 FEMA Fund
Revenues:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Program income	-	-	-	-	-	-	-	-
Fines/fees	-	27,868	12,958	625	4,617	3,124	557	-
Interest	2	201	129	12	132	100	-	614
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenue	2	28,069	13,087	637	4,749	3,224	557	614
Expenditures:								
Current								
General government	-	93,013	3,953	-	1,035	-	442	33,667
Welfare/health	-	-	-	-	-	-	-	-
Capital expenditures	-	2,918	519	-	-	-	-	-
Total expenditures	-	95,931	4,472	-	1,035	-	442	33,667
Excess (deficiency) of revenues over expenditures	2	(67,862)	8,615	637	3,714	3,224	115	(33,053)
Other financing sources (uses):								
Operating transfers in	-	75,000	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financial sources (uses)	-	75,000	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	2	7,138	8,615	637	3,714	3,224	115	(33,053)
Fund balance-October 1	23	11,804	28,407	2,214	41,670	28,651	160	234,341
Fund balance-September	$ 25	$ 18,942	$ 37,022	$ 2,851	$ 45,384	$ 31,775	$ 275	$ 201,288

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2016

Continued

	Assessor Collector Special Inventory Fund	County Attorney Hot Check Fund	Sheriff Drug Seizure Fund	District Attorney Drug Seizure Fund	Unclaimed Money Fund	Abandoned Property Fund
Revenues:						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -
Program income	-	-	-	-	-	15,321
Fines/fees	-	8,824	11,626	4,498	-	-
Interest	23	-	77	157	34	48
Donations	-	-	-	-	-	-
Miscellaneous	-			-		-
Total revenue	23	8,824	11,703	4,655	34	15,369
Expenditures:						
Current						
General government	-	11,958	3,633	3,001	439	6,988
Welfare/health	-	-	-	-	-	-
Capital expenditures	-	-	-	-	-	-
Total expenditures	-	11,958	3,633	3,001	439	6,988
Excess (deficiency) of revenues over expenditures	23	(3,134)	8,070	1,654	(405)	8,381
Other financing sources (uses):						
Operating transfers in	-	-	14,755	-	-	-
Operating transfers out	-	-	(14,755)	-	-	-
Total other financial sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	23	(3,134)	8,070	1,654	(405)	8,381
Fund balance-October 1	6,997	17,717	20,463	36,582	11,709	10,310
Fund balance-September 30	$ 7,020	$ 14,583	$ 28,533	$ 38,236	$ 11,304	$ 18,691

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2016

Continued

	Chapter 19 Fund	Jail Commissary Fund	236 District Court Records Technology Fund	237 County Court Technology Fund	238 District Court Technology Fund	242 District Court Records Preservation Fund	245 County Court Records Preservation Fund	245 County Attorney Diversionary Fund
Revenues:								
Intergovernmental	$ 8,859	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Program income	-		-	-	-	-	-	-
Fines/fees	-	73,908	5,825	583	457	6,226	1,561	21,350
Interest	-	161	120	9	2	163	31	220
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenue	8,859	74,069	5,945	592	459	6,389	1,592	21,570
Expenditures:								
Current								
General government	8,859	84,377	-	1,986	-	-	10,311	2,461
Welfare/health	-	-	-	-	-	-	-	-
Capital expenditures	-	-	-	-	-	-	-	-
Total expenditures	8,859	84,377	-	1,986	-	-	10,311	2,461
Excess (deficiency) of revenues over expenditures	-	(10,308)	5,945	(1,394)	459	6,389	(8,719)	19,109
Other financing sources (uses):								
Operating transfers in		-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financial sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(10,308)	5,945	(1,394)	459	6,389	(8,719)	19,109
Fund balance-October 1	-	44,272	27,597	2,852	448	42,172	11,648	35,788
Fund balance-September 3	$ -	$ 33,964	$ 33,542	$ 1,458	$ 907	$ 48,561	$ 2,929	$ 54,897

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2016

	249 County Library Donation Fund	District Court Records Archive Fund	Total
Revenues:			
Intergovernmental	$ -	$ -	$ 8,859
Program income	-	-	15,321
Fines/fees	-	3,804	482,257
Interest	264	6	5,426
Donations	5,089		5,089
Miscellaneous	-	-	-
Total revenue	5,353	3,810	516,952
Expenditures:			
Current			
General government	-	-	348,341
Welfare/health	-	-	171,352
Capital expenditures	-	-	3,437
Total expenditures	-	-	523,130
Excess (deficiency) of revenues over expenditures	5,353	3,810	-6,178
Other financing sources (uses):			
Operating transfers in	-	-	262,255
Operating transfers out	-	-	-14,755
Total other financial sources (uses)	-	-	247,500
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,353	3,810	241,322
			0
Fund balance-October 1	51,447	-	1,266,167
Fund balance-September 30	$ 56,800	$ 3,810	$ 1,507,489

The notes to the financial statements are an integral part of this statement.

INTERNAL
SERVICE
FUND

Internal service funds are used to account for the financing of goods of services provided by one department to other departments of the government, on a cost reimbursement basis.

This fund is used to account for the rental of motor vehicles to other departments.

Howard County, Tx
Statement of Net Assets
Internal Service Fund
September 30, 2016

ASSETS		
Current assets:		
Cash and cash equivalents	**$**	**996,157**
Accounts receivable		**150**
Inventories		**27,760**
Total current assets		**1,024,067**
Noncurrent assets:		
Capital assets:		
Equipment		**5,052,997**
Less: accumulated depreciation		**(3,674,388)**
Total capital assets (net of accumulated depreciation)		**1,378,609**
Total assets		**2,402,676**
LIABILITIES		
Accounts payable		**8,936**
Wages payable		**6,453**
Compensated absences payable		**9,994**
Total liabilities		**25,383**
NET ASSETS		
Invested in capital assets, net of related debt		**1,378,609**
Assigned to Equipment Operations		**998,684**
Total net assets	**$**	**2,377,293**

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Statement of Revenues, Expenses, and Change in Fund Net Assets
Internal Service Fund
For the Year Ended September 30, 2016

Operating revenues:		
Charges for services	**$**	**1,463,000**
Insurance proceeds/sale of equipment		**59,239**
Total Operating Revenue		**1,522,239**
Operating expenses:		
Personnel services		**203,523**
Liability insurance		**29,288**
Maintenance and repairs		**109,840**
Materials		**321,326**
Equipment rental		**4,801**
Depreciation		**454,164**
Total Operating Expense		**1,122,941**
Operating Income		**399,298**
Nonoperating revenues (expenses):		
Interest on income		**4,039**
Contributions from other funds		**31,052**
Gain (loss) on sale of equipment		**(96,744)**
Total nonoperating revenue (expenses)		**(61,653)**
Change in net assets		**337,645**
Total net assets - beginning		**2,039,648**
Toal net assets - ending	**$**	**2,377,293**

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2016

Cash flows from operating activities:		
Cash received from user departments	**$**	**1,463,000**
Cash paid to employees		**(197,964)**
Cash paid to suppliers		**(469,227)**
Miscellaneous revenue		**59,239**
Net cash provided by operating activities		**855,048**
Cash flows from capital and related financing activities:		
Acquisition of assets		**(529,820)**
Proceeds from sale of equipment		**-**
Net cash used for capital and related financing activities		**(529,820)**
Cash flows from investing activities:		
Interest on investments		**4,039**
Net cash used in investing activities		**4,039**
Net increase in cash and cash equivalents		**329,267**
Cash and cash equivalent-beginning of year		**666,890**
Cash and cash equivalent-end of year		**996,157**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)		**399,298**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		**454,164**
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		**233**
(Increase) decrease in inventory		**(131)**
Increase (decrease) in accounts payable		**(4,074)**
Increase (decrease) in wages payable		**1,292**
Increase (decrease) in compensated absences payable		**4,266**
Net cash provided by operating activities	**$**	**855,048**

The notes to the financial statements are an integral part of this statement.

HOWARD COUNTY, TEXAS
EQUIPMENT OPERATING INTERNAL SERVICE FUND
SCHEDULE OF FIXED ASSETS

September 30, 2016

	Fixed Assets					Allowance for Depreciation					
	Balance October 1, 2015	Additions	Deletions	Transfers Betweem Departments	Balance Sept. 30, 2016	Balance October 1, 2015	Depreciation This Year	Depreciation Charge Off	Transfers Between Departments	Balance Sept. 30, 2016	Net Value Assets
ad and Bridge Department: ehicles, radio equipment and other equipment	$3,364,553	$267,855	($270,559)	$0	$3,361,850	$2,342,917	$248,812	($173,815)	$0	$2,417,914	$943,936
eriff Department: ehicles and radio equipment	1,100,831	293,015	(156,515)	0	1,237,331	891,353	144,716	(156,515)	0	879,554	357,777
tension Department: ehicles	48,834	0	0	0	48,834	14,922	16,276	0	0	31,198	17,636
urthouse/Juvenile Probation: ehicles	172,004	0	0	0	172,004	126,227	23,887	0	0	150,114	21,890
lunteer Fire Department: ehicles, radio equipment and other equiment	262,135	0	(29,156)	0	232,979	204,293	20,471	(29,156)	0	195,608	37,371
tals	$4,948,357	$560,870	($456,230)	$0	$5,052,997	$3,579,712	$454,162	($359,486)	$0	$3,674,388	$1,378,609

Fiduciary
Fund
Type

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Howard County, Tx
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2016

ASSETS	
Cash and temporary investments	$ 1,477,548
Receivables	12,262
Total Assets	1,489,810
LIABILITIES	
Due other funds	46,973
Due others	1,442,837
Total Liabilities	$ 1,489,810

The notes to the financial statements are an integral part of this statement.

Howard County, Tx

Combining Statement of Changes in Fiduciary Assets and Liabilities

September 30, 2016

	Balance 10/1/2015	Adjustments	Adjusted Balance 10/1/2015	Additions	Deletions	Balance 9/31/16
ASSETS						
Cash and temporary investments	$ 1,078,253	$ 136,842	$ 1,215,095	$ 78,388,953	$ 78,126,500	$ 1,477,548
Receivables	9,224	-	9,224	26,960	23,922	12,262
Total Assets	$ 1,087,477	$ 136,842	$ 1,224,319	$ 78,415,913	$ 78,150,422	$ 1,489,810
LIABILITIES						
Accounts payable:						
Due participants	1,052,004	136,842	1,188,846	64,972,794	64,718,803	1,442,837
Due other funds	35,473		35,473	13,443,119	13,431,619	46,973
Total Liabilities	$ 1,087,477	$ 136,842	$ 1,224,319	$ 78,415,913	$ 78,150,422	$ 1,489,810

The notes to the financial statements are an integral part of this statement.

Capital Assets

The capital assets of the County include land, buildings, building improvements, machinery and infrastructure that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure, such as roads, are reported prospectively, not retroactively, beginning with the 2004 fiscal year.

These schedules to not include the capital assets of the Internal Service Fund. See Internal Service Fund section of this report for that information.

Howard County, Tx
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
September 30, 2016

Governmental funds capital assets:		
Land	$	589,576
Buildings & Improvements		19,990,879
Machinery and Equipment		1,663,377
Infrastructure		-
Total governmental funds capital assets		22,243,832
Investments in governmental funds capital assets by source:		
Acquisitions before 1978		1,279,036
General Fund		978,875
Capital Projects Fund		17,970,835
Road & Bridge Fund		123,708
Records Management Fund		58,248
Courthouse Security Fund		43,800
D.A. Forfeiture Fund		15,992
Revenue Sharing Fund		29,232
HAVA Fund		234,704
Airport Fund		408,076
Abandoned Property Fund		5,068
Tobacco Fund		837,050
Donations and Grants		259,208
Total governmental funds capital assets	$	22,243,832

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended September 30, 2016

Function/Activity	General Fixed Assets 10/1/2015	Additions	Deletions	Transfers/ Adjustments Between Departments	General Fixed Assets 9/30/2016
General Government:					
Judicial	$ 223,965		$ 5,384	$ 36,134	$ 254,715
Staff Agencies:					
Elections	318,106	-	83,402	-	234,704
Executive and Financial	369,657		66,535	(36,134)	266,988
Total Staff Agencies	687,763	-	149,937	(36,134)	501,692
Public Safety:					
Police Protection	118,741	26,101	18,734	-	126,108
Fire Protection	10,150	-	-	-	10,150
Protective Inspection	-	-	-	-	-
Other Inspections	-	-	-	-	-
Corrections	112,288	16,230	11,500	-	117,018
Total Public Safety	241,179	42,331	30,234	-	253,276
Government:					
Buildings-Courthouse, Annex, Jail, Showbarn, Warehouse, Shop, Dist. Court Bldg.	20,034,839	-	830,704	-	19,204,135
Welfare/Health	-			-	-
Waste Removal	18,539	-	-	-	18,539
Library	1,518,970	-	41,889	-	1,477,081
Conservation of Natural Resources	126,318		-	-	126,318
Airport	445,306	100	37,330	-	408,076
Total General Fixed Assets	$ 23,296,879	$ 42,431	$ 1,095,478	$ -	$ 22,243,832

The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended September 30, 2016

Function/Activity	General Fixed Assets 10/1/2015	Additions	Deletions	Transfers/ Adjustments Between Departments	General Fixed Assets 9/30/2016
General Government:					
Judicial	$ 223,965		$ 5,384	$ 36,134	$ 254,715
Staff Agencies:					
Elections	318,106	-	83,402	-	234,704
Executive and Financial	369,657		66,535	(36,134)	266,988
Total Staff Agencies	687,763	-	149,937	(36,134)	501,692
Public Safety:					
Police Protection	118,741	26,101	18,734	-	126,108
Fire Protection	10,150	-	-	-	10,150
Protective Inspection	-	-	-	-	-
Other Inspections	-	-	-	-	-
Corrections	112,288	16,230	11,500	-	117,018
Total Public Safety	241,179	42,331	30,234	-	253,276
Government:					
Buildings-Courthouse, Annex, Jail, Showbarn, Warehouse, Shop, Dist. Court Bldg.	20,034,839	-	830,704	-	19,204,135
Welfare/Health	-			-	-
Waste Removal	18,539	-	-	-	18,539
Library	1,518,970	-	41,889	-	1,477,081
Conservation of Natural Resources	126,318		-	-	126,318
Airport	445,306	100	37,330	-	408,076
Total General Fixed Assets	$ 23,296,879	$ 42,431	$ 1,095,478	$ -	$ 22,243,832

The notes to the financial statements are an integral part of this statement.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Bickerstaff
Heath Delgado Acosta LLP

$1,775,000
HOWARD COUNTY, TEXAS
TAX NOTES, SERIES 2018

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by Howard County, Texas (the "County") of its $1,775,000 aggregate original principal amount of Tax Notes, Series 2018, dated February 15, 2018 (the "Notes").

IN OUR CAPACITY AS BOND COUNSEL, we have examined the Notes for the sole purpose of rendering an opinion with respect to the legality and validity of the Order (as defined below) and the Notes under the Constitution and laws of the State of Texas, and with respect to the excludability of the interest on the Notes from gross income for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the County.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant, a transcript of certified proceedings of the County and other pertinent instruments authorizing and relating to the issuance of the Notes, including (1) the order adopted by the Commissioners Court of the County on February 21, 2018 (the "Order"), (2) the registered Initial Note numbered I-1, and (3) the Federal Tax Certificate of the County.

BASED ON OUR EXAMINATION, we are of the opinion that:

1. The Notes are valid and legally binding obligations of the County enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.

2. The Notes are secured by and payable from the levy of a direct and continuing annual ad valorem tax upon all taxable property within the County, within the limits prescribed by law, sufficient for said purposes, as provided in the Order.

3. Interest on the Notes is excludable for federal income tax purposes from the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax on individuals or, except as noted below for tax years beginning before January 1, 2018, corporations.

For tax years beginning before January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the Notes, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Notes received or accrued by a corporation that owns the Notes will be included in computing such corporation's alternative minimum taxable income for such year. For tax years beginning after December 31, 2017, Public Law 115-97 repealed the corporate alternative minimum tax.

In addition, the County has designated the Notes as “qualified tax-exempt obligations” for the purposes of Section 265 of the Code dealing with financial institutions and has represented that the total amount of tax-exempt obligations (including the Notes) issued by it will not exceed $10,000,000 in “qualified tax-exempt obligations” during calendar year 2018.

In rendering this opinion, we have assumed continuing compliance by the County with the covenants contained in the Order and the Federal Tax Certificate, that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Notes and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the County to comply with such covenants could result in the interest on the Notes being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Notes.

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter 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 and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. We observe that the County has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

Respectfully,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES