NEW ISSUE BOOK-ENTRY-ONLY Rating: S&P "AA-"
(See "OTHER PERTINENT INFORMATION - Ratings", herein)

OFFICIAL STATEMENT
Dated: November 13, 2018

In the opinion of Bond Counsel (named below), assuming continuing compliance by the County (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. See "TAX MATTERS".

The County has designated the Bonds as "Qualified Tax-Exempt Obligations"
See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein

$6,210,000
FANNIN COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2018

Dated Date: December 1, 2018 **Due: June 1, as shown on page ii**

The $6,210,000 Fannin County, Texas General Obligation Bonds, Series 2018 (the "Bonds") are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including Chapters 1251 and 1301, as amended, Texas Government Code, an election held within Fannin County, Texas on November 8, 2016 (the "Election"), and an order adopted by the Commissioners Court of the County (the "Order") on November 13, 2018 authorizing the issuance of the Bonds. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds constitute direct obligations of the Issuer payable from the proceeds of an ad valorem tax levied against all taxable property in the County, within the limits prescribed by law, as provided in the Order. (See "THE BONDS - Security for Payment" herein.)

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

Proceeds from the sale of the Bonds will be used to pay certain capital improvements and other costs approved at the Election including (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse, and (2) the payment of professional services related to the design, construction, project management, and financing of the aforementioned project. (See "THE BONDS - Use of Bond Proceeds" herein.)

The Issuer reserves the right to redeem the Bonds maturing on and after June 1, 2029, on June 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Bonds maturing on June 1, 2039 and June 1, 2044 are also subject to mandatory sinking fund redemption, as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds 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 approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Bonds will be available for delivery through DTC on or about December 13, 2018.

STATED MATURITY SCHEDULE*
(Due June 1)
Base CUSIP – 307135[(a)]

$3,235,000 Serial Bonds

Stated Maturity June 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2020	$ 40,000	3.000	2.100	EG4
2021	160,000	3.000	2.200	EH2
2022	165,000	4.000	2.300	EJ8
2023	175,000	4.000	2.400	EK5
2024	180,000	4.000	2.500	EL3
2025	185,000	4.000	2.600	EM1
2026	195,000	4.000	2.700	EN9
2027	200,000	4.000	2.800	EP4
2028	210,000	4.000	2.900	EQ2
2029	220,000	4.000	3.000[(b)]	ER0
2030	230,000	4.000	3.050[(b)]	ES8
2031	235,000	4.000	3.100[(b)]	ET6
2032	245,000	4.000	3.150[(b)]	EU3
2033	255,000	4.000	3.200[(b)]	EV1
2034	265,000	3.500	3.500	EW9
2035	275,000	3.500	3.550	EX7

$2,975,000 Term Bonds

$1,200,000 3.500% Term Bond due June 1, 2039 Price to Yield 3.650% FB4[(a)]
$1,775,000 4.000% Term Bond due June 1, 2044 Price to Yield 3.750%[(b)] FG3[(a)]

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after June 1, 2029, on June 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Bonds maturing on June 1, 2039 and June 1, 2044 (the "Term Bonds") are also subject to mandatory sinking fund redemption, as further described herein (See "THE BONDS - Redemption Provisions" herein.)

(a) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), 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 services provided by CGS. Neither the County nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

(b) Yield calculated based on the assumption the Bonds denoted and sold at a premium will be redeemed on June 1, 2028, the first optional redemption date for the Bonds, at the price of par plus accrued interest to such date of redemption.

FANNIN COUNTY, TEXAS
101 E. Sam Rayburn Drive, Suite 101
Bonham, Texas 75418
(903) 583-7455
(903) 583-7811 (Fax)

2018 ELECTED OFFICIALS

Name	Title	Date First Elected	Term Expires
Creta L. Carter II	County Judge	01/01/11	12/31/18
Gary Whitlock	Commissioner, Precinct 1	01/01/09	12/31/20
Stanley Barker	Commissioner, Precinct 2	01/01/03	12/31/18
Jerry Magness	Commissioner, Precinct 3	01/01/13	12/31/20
Dean Lackey	Commissioner, Precinct 4	07/22/13	12/31/18

2019 ELECTED OFFICIALS

Name	Title	Date First Elected	Term Expires
Randy Moore*	County Judge	01/01/19	12/31/22
Gary Whitlock	Commissioner, Precinct 1	01/01/09	12/31/20
A.J. Self*	Commissioner, Precinct 2	01/01/19	12/31/22
Jerry Magness	Commissioner, Precinct 3	01/01/13	12/31/20
Dean Lackey*	Commissioner, Precinct 4	01/01/19	12/31/22

*These officials won their respective primary election on March 6, 2018 and ran unopposed at the November 6, 2018 election.

ADMINISTRATION

Name	Position	Years With The County
Alicia Whipple	Interim County Auditor *	2
Tammy Biggar	County Clerk	8
David E. Woodson	County Treasurer	4
Nancy Young	District Clerk	19
Gail Young	Tax Assessor Collector	8

*Don Grammar retired on October 31, 2018. Alicia Whipple has been appointed as the Interim County Auditor effective October 31, 2018.

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP San Antonio, Texas
Certified Public Accountants	Rutledge Crain & Company, PC Arlington, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

The Honorable Creta L. Carter II
County Judge
Fannin County
101 E. Sam Rayburn Drive, Suite 101
Bonham, Texas 75418
(903) 583-7455 (Phone)
clcarter@fanninco.net

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

None of the County, its Financial Advisor, or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, as such information has been provided by DTC. THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	Fannin County, Texas (the "County" or "Issuer") is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas. The 2010 census for the County was 33,915. The 2018 estimated population is 36,962. (See "Appendix B - General Information Regarding Fannin County and the City of Bonham, Texas" herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including Chapters 1251 and 1301, as amended, Texas Government Code, an election held on November 8, 2016 (the "Elections"), and an order (the "Order") adopted by the Commissioners Court on November 13, 2018. (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas Texas.
Security	The Bonds constitute direct obligations of the County payable from proceeds of an ad valorem tax levied against all taxable property in the County, within the limits prescribed by law. (See "THE BONDS - Security for Payment" herein).
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem the Bonds stated to mature on and after June 1, 2029, on June 1, 2028 or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. In addition, the Bonds maturing on June 1, 2039 and June 1, 2044 are also subject to mandatory sinking fund redemption, as further described herein. (See "THE Bonds - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described herein under "TAX MATTERS" and will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Qualified Tax-Exempt Obligations	The County has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used to pay certain capital improvements and other costs approved at the Election including (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse, and (2) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE BONDS - Use of Bond Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA-" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The County does not anticipate the issuance of additional debt within the next twelve months.
Payment Record	The County has never defaulted on the payment of its tax-supported indebtedness.
Delivery	When issued, anticipated on or about December 13, 2018.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

(this page intentionally left blank)

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Fannin County, Texas (the "County" or the "Issuer") of its $6,210,000 General Obligation Bonds, Series 2018 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State") and operates under the statutes and the Constitution of the State. The Bonds are being issued pursuant to the Constitution and general laws of the State, including Chapters 1251 and 1301, as amended, Texas Government Code, and an election held in the County on November 8, 2016 (the "Election"), and an order (the "Order") adopted by the Commissioners Court on November 13, 2018. (See "THE BONDS - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

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

THE BONDS

General

The Bonds will be dated December 1, 2018 (the "Dated Date"). The Bonds are stated to mature on June 1 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on December 1, 2019, and on each June 1 and December 1 (the "Interest Payment Date") thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, including Chapters 1251 and 1301, as amended, Texas Government Code, the Election, and an order (the "Order") adopted by the Commissioners Court on November 13, 2018.

Security for Payment

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

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used to pay certain capital improvements and other costs approved at the Election including (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse, and (2) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Bonds	$ 6,210,000.00
Accrued Interest on the Bonds	7,923.33
Net Reoffering Premium	201,805.15
Total Sources of Funds	$ 6,419,728.48
Uses	
Project Fund Deposit	$ 6,250,000.00
Purchaser's Discount	74,695.92
Bond Fund Deposit (accrued interest)	7,923.33
Costs of Issuance	87,109.23
Total Uses	$ 6,419,728.48

Redemption Provisions

Optional Redemption

The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after June 1, 2029 on June 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds stated to mature on June 1 in the years 2039 and 2044 are referred to herein as the "Term Bonds". The Term Bonds are also subject to mandatory sinking fund redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption on June 1 in the years and principal amounts shown below:

Term Bond June 1, 2039		Term Bond June 1, 2044	
Redemption Date	**Principal Amount**	**Redemption Date**	**Principal Amount**
June 1, 2036	$ 285,000	June 1, 2040	$ 325,000
June 1, 2037	295,000	June 1, 2041	340,000
June 1, 2038	305,000	June 1, 2042	355,000
June 1, 2039*	315,000	June 1, 2043	370,000
		June 1, 2044*	385,000

*Payable at Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Bond, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following June 1 from money set aside for that purpose in the Bond Fund (as defined in the Order). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds for Redemption

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

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than $5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants to DTC participants, indirect participants, he selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

The County has never defaulted on the payment of its tax-supported indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas (“Bond Counsel”). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, (2) Government Securities (defined below)to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The sufficiency of deposits as hereinbefore described shall be certified by an independent certified accountant, the County’s Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The County has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the County moneys in excess of the amount required for such defeasance. The Order provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, 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 on the date the governing body of the County adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the County has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the County to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the County to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the County has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the County (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives wing the making of the firm banking and financial directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The Issuer 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 Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds 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 of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Default and Remedies

If the County defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the County's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages registered owners may not be able to bring such a suit against the County for breach of the Bonds or the Order covenants.

If a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity upon presentation to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any Interest Payment Date means the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner 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.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds will be printed and delivered to the registered owners thereof, and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system initially to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transferability of Bonds Called for Redemption

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

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of authenticity of ownership thereof and of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds 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 Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Bonds and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County, the Financial Advisor, and the Purchaser believe to be reliable, but none of the County, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

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.

Under State 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 and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for County deposits, or (ii) certificates of deposit where (a) the funds are invested by the County through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the County as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the County; (b) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the County appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the County with respect to the certificates of deposit issued for the account of the County; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (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 of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the County with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset- backed securities; (15) investment pools if the County has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the County and deposited with the County or with a third party selected and approved by the County.

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 final stated 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.

Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for County funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the County's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the County's investment officers must submit an investment report to the Commissioners Court detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest County funds without express written authority from the Commissioners Court.

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

Current Investments

State law does not require the Issuer to periodically mark its investments to market price, and the Issuer does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the Issuer's audited financial statements. Given the nature of its investments, the Issuer does not believe that the market value of its investments differs materially from book value.

As of September 30, 2018 (unaudited), the Issuer's investable funds were invested as shown below.

Fund and Investment Type	Governmental Operating Fund	Percentage of Total Portfolio
TexPool/TexStar	$ 5,456,235.74	49.68%
ICS	5,526,895.58	50.32%
Total Investments	**$ 10,983,131.32**	**100.00%**

As of such date, the market value of such investments (as determined by the County by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the County are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

EMPLOYMENT BENEFITS

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 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- 20343.

The plan provisions are adopted by the County commissioners' court, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

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

Plan Benefits

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

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

Inactive employees (or their beneficiaries) currently receiving benefits		89
Inactive employees entitled to but not yet receiving benefits		87
Active employees		142
	Total	318

Contributions

The contribution rates for employees in TCDRS is 7% of employee gross earnings, and the County percentages is 10.54%, both as adopted by the governing body of the County. Under the state law governing TCDRS, the contribution rate for each County is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The County's contributions to TCDRS for the year ended September 30, 2017, were $546,604 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

Changes in the net pension liability

	Total Pension Liability [a]	Increase (Decrease) Plan Fiduciary Net Position [b]	Net Pension Liability(Asset) [a] - (b)
Balance at 12/31/15	$21,468,085	$19,404,497	$2,063,588
Changes for the year:			
Service cost	784,499	0	784,499
Interest on total pension liability	1,729,124	0	1,729,124
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	(48,286)	0	(48,286)
Effect of assumptions changes or inputs	0	0	0
Refund of contributions	0	0	0
Benefit payments	(1,031,097)	(1,031,097)	0
Administrative expenses	0	(15,603)	15,603
Member contributions	0	364,103	(364,103)
Net investment income	0	1,435,773	(1,435,773)
Employer contributions	0	548,235	(548,235)
Other	0	21,826	(21,826)
Net changes	1,434,240	1,323,237	111,003
Balance at 12/31/15	$ 22,902,325	$ 20,727,734	$ 2,174,591

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$25,713,001	$22,902,325	$20,547,684
Fiduciary net position	20,727,734	20,727,734	20,727,734
Net Pension Liability (Asset)	$4,985,267	$2,174,591	($180,050)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the County recognized pension expense of $1,001,706. At September 30, 2017, the County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/16 Expense	Balance of Deferred Inflows 12/31/16	Balance of Deferred Outflows 12/31/2016
Investment (gains) or losses	$ 131,522	12/31/2016	5.0	$26,304	$--	$105,218
	1,729,129	12/31/2015	5.0	345,826	--	1,037,477
	252,475	12/31/2014	5.0	50,495	--	100,990
Economic/demographic (gains) or losses	(48,286)	12/31/2016	4.0	(12,072)	36,215	--
	(336,357)	12/31/2015	4.0	(84,089)	168,178	--
	156,343	12/31/2014	4.0	39,086	--	39,086
Assumptions changes or inputs	--	12/31/2016	4.0			
	240,606	12/31/2015	4.0	60,151	--	120,303
	--	12/31/2014	4.0			
Employer contributions made subsequent to measurement date						
				$425,701	$204,393	$1,805,395

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows/outflows to Be Recognized in Future Years

Year ended December 31,	
2016	$ 425,702
2017	386,616
2018	360,058
2019	26,305
2020	--
	$1,198,681

AD VALOREM TAX PROCEDURES

Property Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (the "Property Tax Code"), provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Fannin Central Appraisal District (the "Appraisal District") is responsible for appraising property within the County, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under 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 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 further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of five members, which are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the County in establishing its tax roll and tax rate. 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.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and two public hearings on the proposed increase are held before the total taxes are increased. See "AD VALOREM TAX PROCEDURES - Effective Tax Rate and Rollback Tax Rate", herein.

Property Subject to Taxation by the Issuer

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.

Residence Homestead Exemptions: 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 person 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 increased or decreased in amount, or repealed altogether, either (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 when the deceased spouse died; 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 may, at its option, 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.

Homestead Tax Limitation: Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead and to the surviving spouse living in such homestead if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was 55 or older when the deceased spouse died and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following year. Once established such freeze cannot be repealed or rescinded.

Disabled/Deceased Veterans Exemption: 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; provided, however, that a disabled veteran who receives from the United States Department of Veterans Affairs, or its successor, 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. 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. On November 3, 2015, Texas voters approved an amendment to this law to provide for the exemption from ad valorem taxation for those surviving spouses of veterans who died before 2011, of which such exemption applies for the tax year beginning on or after January 1, 2016.

A disabled veteran who has a disability rating of less than 100% is entitled to an exemption equal to the percentage of the veteran's disability rating for a residence homestead that was donated by a charitable organization to such veteran (i) at no cost to such veteran or (ii) effective January 1, 2018, at some cost to such veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made.

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

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

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

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

Goods in Transit: Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation of "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 units 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 obligations of the contract by which the debt was created.

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

For a discussion of how the various exemptions described above are applied by the County, see "COUNTY APPLICATION OF THE PROPERTY TAX CODE" herein.

Tax Increment Reinvestment Zones and Tax Abatements: The County by action of the Commissioners Court, may create one or more tax increment reinvestment zones ("TIRZs") within the County, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ to encourage development and redevelopment within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the County) of the taxes levied by the County against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the County.

Chapter 381 Agreements: The County is authorized, pursuant to Chapter 381, Texas Local Government Code, as amended ("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, and the County may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County. The County may contract with the federal government, the State of Texas, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

Issuer and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Issuer, any appeal the orders of the Appraisal Review Board by filing a timely petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the County is generally assessed as of January 1 of each year based upon the valuation of property within the County as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Effective January 1, 2016, the valuation assessment of oil and gas reserves will 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 are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. 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 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	Penalty	Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July[(a)]	12	6	18

(a) *After July, the penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee not to exceed 20% of the amount of delinquent tax, penalty, and interest collected. 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.

Issuer's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the County records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. Also, provisions of the Property Tax Code require the abatement of any foreclosure or collection suit for delinquent taxes against any individual who is 65 years of age or older, owns and occupies as a residential homestead the property on which the taxes are delinquent, and requests the abatement in writing at the appropriate time.

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

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

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

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

COUNTY APPLICATION OF THE PROPERTY TAX CODE

The County does not grant a local exemption of $25,000 to the market value of the residence homestead of persons 65 years of age or older and $3,000 for the disabled.

The County does not grant an additional exemption of up to 20% of the market value of residence homesteads (minimum exemption of $5,000).

The County does not tax nonbusiness personal property.

The County does not permit split payment of taxes or discounts.

The County does not grant an exemption for goods-in-transit.

The County does not grant the freeport exemption under Article VIII, Section 1-j.

The County does participate in the Tax Increment Reinvestment Zones.

The County has entered into a tax abatement agreement with Whitewright Solar, LLC on April 26, 2016. The abatement is for a 10-year period.

TAX RATE LIMITATIONS

Limited Tax Obligations

The Texas Constitution (Article VIII, Section 9) imposes a tax rate limit of $0.80 per $100 assessed valuation of all taxable property within the County (the "$0.80 Tax Limitation") for all purposes which are for general funds, permanent improvement funds, road and bridge funds and jury funds, including debt service of bonds or other debt obligations issued against such funds.

Administratively, the Attorney General of Texas will not approve the issuance of limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from $0.40 per $100 valuation, as calculated at the time of issuance and based on a 90% collection rate, of the $0.80 Tax Limitation. **The Bonds are limited tax obligations and their issuance does not violate Texas State law or the Texas Attorney General's administrative limitation.**

V.T.C.A., Government Code, Section 1301.003 limits the amount of limited tax obligations of counties issued for certain purposes as follows:

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

However, courthouse, jail, and certain other types of bonds may be issued under the authority of Section 1431.101, Texas Government Code, as amended, which removes the above limitations.

The Bonds are limited tax obligations issued pursuant to Chapter 1301, as amended, Texas Government Code, and their issuance does not violate the 2% of assessed valuation limitation provided in Chapter 1301.

Unlimited Tax Bonds

The Texas Constitution (Article III, Section 52) authorizes the levy of a tax unlimited as to rate or amount for the payment of debt issued for various stated purposes; however, total unlimited tax debt cannot exceed 25% of the assessed valuation of real property. **The County has no currently outstanding 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. **The voters of the County have not approved the adoption of additional county road tax. The County has no unlimited tax road bonds outstanding.**

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 9 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. Although the receipts of these taxes are not available to pay debt service on the Bonds, these levies provide additional funds for road and flood control purposes that might not otherwise be paid from taxes subject to the $0.80 Tax Limitation. **The voters of the County have not approved the adoption of the additional county farm-to-market or a flood control tax.**

Effective Tax Rate and Rollback Tax Rate

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

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted).

"Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

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

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.

Optional Sales Tax

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in Appendix C hereto.

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

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see "Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Bonds

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

However, such accrued interest may be required to be taken into account in determining 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 (see "Qualified Tax-Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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

Tax Accounting Treatment of Premium Bonds

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

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

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code completely disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The County has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the County will be obligated to annually provide certain updated financial information and operating data that is included in this Official Statement, that is customarily prepared by the County and that is publicly available, as well as timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org.

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this official statement in Appendix A (tables 1-11 and 15-16) and in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2018.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the Issuer will provide unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule")

Notice of Certain Events

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten Business Days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into 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. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under “Annual Reports”. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement or liquidity enhancement. The County will provide notice of each event provided for 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. As used above, the term “Business Day” means a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located (currently, its Dallas, Texas office) are authorized by law or executive order to close.

Availability of Information from MSRB

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

With respect to debt of the County issued prior to the EMMA Effective Date, the County remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information repository (the “SID”). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the “MAC”) had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC has entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA’s website simultaneously with such posting. Until the County receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the County has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer 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 Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

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

Compliance with Prior Agreements

Except as otherwise described below, during the past five years, the County has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

[The County and the Fannin County Public Facility Corporation (the "Corporation") committed to file on an annual basis certain updated quantitative financial information and operating data of the Corporation of the general type included in the Corporation's final Official Statement (the "Undertaking"), dated July 21, 2014 (the "Corporation's Official Statement") pertaining to Corporation's issuance of its Senior Lien Revenue Refunding Bonds, Taxable Series 2014 (Detention Facility Project), dated August 1, 2014 (the "Corporation's 2014 Bonds") (for a further description of the Corporation and the debt service requirements of the Corporation's 2014 Bonds, see "APPENDIX A – Table 17" herein). Such information must be filed within six months of the Corporation's fiscal year end and includes the Corporation's audited financial statements (the "Corporation's Audit") and Tables 1 through 6 included in Appendix B to the Corporation's Official Statement (the "Tables").

The County committed to the Undertaking in Section 14.3 of the Amended and Restated Sublease Agreement between the County and the Corporation, dated August 1, 2014 (the "Sublease") and the County and the Corporation committed to the Undertaking in Section 14.01.(b) of the Trust Indenture between the Corporation and U.S. Bank National Association (the "Trustee"), dated August 1, 2014 (the "Indenture"). Further, the County entered into a Continuing Disclosure Undertaking agreement with U.S. Bank National Association (the "Dissemination Agent") dated August 1, 2014 (the "Disclosure Agreement"), pursuant to which the Dissemination Agent agreed to perform the duties and undertaking of the County as set forth in the Sublease and the Indenture, including the Undertaking.

The Corporation's Audit has been timely filed with EMMA for each of the fiscal years ended 2014 through 2017, in accordance with the Disclosure Agreement and the Undertaking. However, due to an administrative oversight, the Dissemination Agent has failed to file the Tables with EMMA in accordance with the Disclosure Agreement and the Undertaking. The source of the information in these Tables was provided by the operator of the detention facility, which, at the time of the posting of the Corporation's Official Statement, was Community Education Centers, Inc. The operations of the detention facility has since changed to GEO Group, Inc., and, as of September 1, 2018, to Lasalle Corrections, LLC (the "Operator") (see "APPENDIX A – Table 17" herein).

The County is currently coordinating with the Dissemination Agent and the Operator to complete the Tables for the fiscal years ended 2014 through 2017. The completed Tables will be filed with EMMA, as well as a notice of late filing, as soon as the Tables are available. The Corporation, the County, and the Dissemination Agent have implemented appropriate measures to ensure future compliance with the Undertaking.]

Note: The above bracketed language was not included in the Preliminary Official Statement dated November 6, 2018.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

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

Registration and Qualification of Bonds for Sale

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

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

Litigation

The County is a defendant on various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Future Debt Issuance

The County does not anticipate the issuance of additional debt over the next twelve months.

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 Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real 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 Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date thereof. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed the information under the captions “THE BONDS” (except for the information contained in the subcaptions “Payment Record” and “Default and Remedies”, as to which no opinion is expressed), “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Agreements”, as to which no opinion is expressed), “OTHER INFORMATION–Registration and Qualification of Bonds For Sale”, “OTHER PERTINENT INFORMATION–Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER INFORMATION–Legal Opinions and No-Litigation Certificate” in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, 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 Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Though it represents the Financial Advisor and certain entities that may bid on the Bonds from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the County in connection with the issuance of the Bonds.

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

Ratings

S&P Global Ratings (“S&P”) has assigned an unenhanced, underlying rating of “AA-” to the Bonds. An explanation of the significance of such rating may be obtained from S&P. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the County for the investment of debt proceeds or other funds of the County upon the request of the County.

Winning Bidder

After requesting competitive bids for the Bonds, the Issuer accepted the bid of Wells Fargo Bank, National Association (the “Purchaser”) to purchase the Bonds at the interest rates shown on the page ii of this Official Statement at a price of par, plus a net reoffering premium of $201,805.15, less a Purchaser’s discount of $74,695.92, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The Issuer can give no assurance that any trading market will be developed for the Issuer after their sale by the Issuer to the Purchasers. The Issuer has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchasers.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the County acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the County contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the County and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since September 30, 2017, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement was approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified and approved by the Commissioners Court on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

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.

Concluding Statement

The financial data and other information contained in this Official Statement 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 Order contained in this Official Statement are made subject to all of the provisions of such statues, documents and 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.

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

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

The Order authorizing the issuance of the Bonds 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 Bonds by the Purchaser.

This Official Statement was approved by the Commissioners Court of the Issuer for distribution in accordance with the provisions of the Rule.

FANNIN COUNTY, TEXAS

Creta L. Carter II
County Judge
Fannin County, Texas

ATTEST:

Tammy Biggar
County Clerk
Fannin County, Texas

(this page intentionally left blank)

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION		**TABLE 1**
2018 Actual Market Value of Taxable Property (100% of Actual)		$ 4,213,537,990
Less Exemptions:		
Over-65 and/or Disabled	$ 32,335,077	
Veterans Exemptions	27,684,246	
Pollution Exemption	3,935,050	
Abatements	13,432,540	
Freeport	5,806,933	
Productivity Value Loss	1,513,021,596	
10% Homestead Cap Loss	21,624,587	
Totally Exempt Property	586,725,181	2,204,565,210
2018 Certified Net Taxable Assessed Valuation		$ 2,008,972,780
Less Adjustments:		
Freeze Taxable		359,881,606
Transfer Adjustment		359,227
2018 Freeze Adjusted Net Taxable Assessed Valuation		$ 1,648,731,947

Source: Fannin Central Appraisal District

GENERAL OBLIGATION BONDED DEBT	**TABLE 2**
General Obligation Debt Principal Outstanding: (As September 30, 2018)	
General Obligation Bonds, Series 2017	$ 6,090,000
Total General Obligation Debt Principal Outstanding:	$ 6,090,000
Current Issue General Obligation Debt Principal	
General Obligation Bonds, Series 2018 (the "Bonds")	$ 6,210,000
Total General Obligation Debt Principal Outstanding Following Issuance of the Bonds:	$ 12,300,000
General Obligation Interest and Sinking Fund Balance as September 26, 2018 (unaudited).	$ 85,711
Ratio of General Obligation Debt Principal to 2018 Adjusted Net Taxable Assessed Valuation	0.75%
2018 Freeze Adjusted Net Taxable Assessed Valuation[a]	$ 1,648,731,947
Population: 1980 - 24,285; 1990 -24,817; 2000 - 31,242; 2010 -33,915; Current Estimate -	36,962
Per Capita 2018 Freeze Adjusted Net Taxable Assessed Valuation -	$44,606
Per Capita General Obligation Debt Principal -	$333

[a] *See "AD VALOREM TAX PROCEDURES" and "COUNTY APPLICATION OF THE PROPERTY TAX CODE" in the body of the Official Statement for a description of the Issuer's taxation procedures.*

Sources: Texas Municipal Reports, U.S. Census, and information received from the Issuer.

OTHER OBLIGATIONS **TABLE 3**

Capital Leases Payable:

Capitalized lease obligations are comprised of leases whose terms provide for bargain purchase options at the end of the lease periods or provide the rights of ownership during the economic useful life of the assets.

$89,024 due in one instalment of $93,532, including interest at 4.95%, on March 2018 and secured by equipment with an original cost of $182,556 and a net book value of $169,516

Future minimum payments for leases follows:

Year	Governmental
2018	$ 93,532
Less interest	(4,508)
Present value	$ 89,024

Non-Capital Leases Payable:

None

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 4

Fiscal Year 30-Sep	Currently Outstanding Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Combined Debt Service
2019	$ 369,675.00	$ -	$ -	$ -	$ 369,675.00
2020	373,075.00	40,000.00	356,550.00	396,550.00	769,625.00
2021	371,175.00	160,000.00	236,500.00	396,500.00	767,675.00
2022	373,975.00	165,000.00	231,700.00	396,700.00	770,675.00
2023	371,475.00	175,000.00	225,100.00	400,100.00	771,575.00
2024	373,675.00	180,000.00	218,100.00	398,100.00	771,775.00
2025	370,575.00	185,000.00	210,900.00	395,900.00	766,475.00
2026	372,175.00	195,000.00	203,500.00	398,500.00	770,675.00
2027	373,375.00	200,000.00	195,700.00	395,700.00	769,075.00
2028	370,425.00	210,000.00	187,700.00	397,700.00	768,125.00
2029	373,375.00	220,000.00	179,300.00	399,300.00	772,675.00
2030	371,100.00	230,000.00	170,500.00	400,500.00	771,600.00
2031	373,600.00	235,000.00	161,300.00	396,300.00	769,900.00
2032	370,875.00	245,000.00	151,900.00	396,900.00	767,775.00
2033	372,925.00	255,000.00	142,100.00	397,100.00	770,025.00
2034	369,406.25	265,000.00	131,900.00	396,900.00	766,306.25
2035	370,306.25	275,000.00	122,625.00	397,625.00	767,931.25
2036	370,512.50	285,000.00	113,000.00	398,000.00	768,512.50
2037	370,012.50	295,000.00	103,025.00	398,025.00	768,037.50
2038	374,075.00	305,000.00	92,700.00	397,700.00	771,775.00
2039	372,700.00	315,000.00	82,025.00	397,025.00	769,725.00
2040	370,975.00	325,000.00	71,000.00	396,000.00	766,975.00
2041	373,812.50	340,000.00	58,000.00	398,000.00	771,812.50
2042	366,300.00	355,000.00	44,400.00	399,400.00	765,700.00
2043	-	370,000.00	30,200.00	400,200.00	400,200.00
2044	-	385,000.00	15,400.00	400,400.00	400,400.00
	$ 8,919,575.00	$ 6,210,000.00	$ 3,735,125.00	$ 9,945,125.00	$ 18,864,700.00

TAX ADEQUACY — TABLE 5

2018 Freeze Adjusted Net Taxable Assessed Valuation	$ 1,648,731,947
Maximum Annual Debt Service Requirements (Fiscal Year Ending September 30, 2029)	$ 772,675.00
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.04782

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX RATE DISTRIBUTION **TABLE 6**

Fund	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Maintenance & Operations Fund	$0.4369	$0.4352	$0.4602	$0.4641	$0.4832
Interest & Sinking Fund	0.0223	0.0240	0.0000	0.0000	0.0000
General Fund Totals	$0.4592	$0.4592	$0.4602	$0.4641	$0.4832
Road & Bridge	0.1298	0.1298	0.1298	0.1309	0.1118
County's Total Tax Rate	$0.5890	$0.5890	$0.5900	$0.5950	$0.5950

Source: Fannin Central Appraisal District and information from the Issuer.

PROPERTY TAX RATES AND COLLECTIONS **TABLE 7**

Tax Year	Certified Net Taxable Assessed Valuation [(a)]	Tax Rate	Total Tax Levy	% Collections Current	% Collections Total	Fiscal Year Ending	
2008	$ 1,175,679,046	$ 0.61100	$ 8,294,076	98.57%	98.72%	9/30/2009	
2009	1,213,993,315	0.61100	8,456,853	101.39%	101.47%	9/30/2010	
2010	1,214,777,657	0.61100	8,537,194	102.68%	102.86%	9/30/2011	
2011	1,206,002,962	0.60810	8,579,228	98.00%	100.28%	9/30/2012	
2012	1,207,429,111	0.60510	8,582,030	96.92%	100.36%	9/30/2013	
2013	1,235,837,895	0.59500	8,735,210	96.48%	100.07%	9/30/2014	
2014	1,262,738,663	0.59500	8,828,631	98.45%	101.61%	9/30/2015	
2015	1,325,450,787	0.59500	9,212,783	98.57%	102.04%	9/30/2016	
2016	1,418,905,862	0.59000	9,788,275	98.68%	101.67%	9/30/2017	
2017	1,509,272,635	0.58900	10,364,380	98.68%	101.26%	9/30/2018	*
2018	1,648,731,947	0.58900	9,711,031	(In process of collection)		9/30/2019	

[(a)] *Figures represent Net Taxable Assessed Valuation less Freeze adjustment.*
Sources: Texas Municipal Reports, the Fannin Central Appraisal District and the Issuer.
* As of September 26, 2018.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 8**

Fiscal Year Ending 9/30	Principal Repayment Schedule: Principal Outstanding	The Bonds	Total	Obligations Unpaid at End of Year	Percent of Principal Retired (%)
2019	$ 160,000	$ -	$ 160,000	$ 12,140,000	1.30%
2020	170,000	40,000	210,000	11,930,000	3.01%
2021	175,000	160,000	335,000	11,595,000	5.73%
2022	185,000	165,000	350,000	11,245,000	8.58%
2023	190,000	175,000	365,000	10,880,000	11.54%
2024	200,000	180,000	380,000	10,500,000	14.63%
2025	205,000	185,000	390,000	10,110,000	17.80%
2026	215,000	195,000	410,000	9,700,000	21.14%
2027	225,000	200,000	425,000	9,275,000	24.59%
2028	230,000	210,000	440,000	8,835,000	28.17%
2029	240,000	220,000	460,000	8,375,000	31.91%
2030	245,000	230,000	475,000	7,900,000	35.77%
2031	255,000	235,000	490,000	7,410,000	39.76%
2032	260,000	245,000	505,000	6,905,000	43.86%
2033	270,000	255,000	525,000	6,380,000	48.13%
2034	275,000	265,000	540,000	5,840,000	52.52%
2035	285,000	275,000	560,000	5,280,000	57.07%
2036	295,000	285,000	580,000	4,700,000	61.79%
2037	305,000	295,000	600,000	4,100,000	66.67%
2038	320,000	305,000	625,000	3,475,000	71.75%
2039	330,000	315,000	645,000	2,830,000	76.99%
2040	340,000	325,000	665,000	2,165,000	82.40%
2041	355,000	340,000	695,000	1,470,000	88.05%
2042	360,000	355,000	715,000	755,000	93.86%
2043	-	370,000	370,000	385,000	96.87%
2044	-	385,000	385,000	-	100.00%
	$ 6,090,000	$ 6,210,000	$ 12,300,000		

OPTIONAL ADDITIONAL SALES AND USE TAX **TABLE 9**

The County has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The County approved a 1/2 cent sales tax for property relief to be effective January 1, 1988. Net collections on calendar year basis are as follows:

Fiscal Year	½% Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2008	$ 944,227	13.43%	$ 0.08204
2009	782,322	9.43%	0.05763
2010	708,673	8.38%	0.05120
2011	777,249	9.10%	0.05536
2012	793,155	9.25%	0.05594
2013	795,119	9.26%	0.05513
2014	855,079	9.79%	0.05824
2015	901,942	10.22%	0.06079
2016	947,692	10.29%	0.06069
2017	1,004,143	10.26%	0.06042
2018 [(a)]	858,446	8.28%	0.04878

[(a)] Current fiscal year collections are through September 2018; unaudited.

Source: Texas Comptroller of Public Accounts and the Issuer.

PRINCIPAL TAXPAYERS 2018 **TABLE 10**

Name	Type of Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Net Taxable Assessed Valuation
ONCOR Electric Delivery Company	Electric - Utility	$ 34,162,940	2.07%
Atmos Energy/MID-TEX Pipeline	Pipeline	32,097,050	1.95%
Energy Transfer Fuel LP	Oil & Gas	24,488,110	1.49%
North Texas Municipal Water District	Utility	13,848,385	0.84%
RFJ Auto Properties LLC	Auto	10,935,490	0.66%
Transcanada Keystone PL LP	Pipeline	10,843,540	0.66%
Gulf Crossing Company	Pipeline	10,362,170	0.63%
Wal-Mart Stores	Retail	8,181,450	0.50%
Voluntary Purchasing Group	Fertilizer	7,903,880	0.48%
Bonham Chautauqua Holdings, LLC	Real	7,166,700	0.43%
	Total	$ 159,989,715	9.70%

Based on a 2018 Freeze Adjusted Net Taxable Assessed Valuation of $1,648,731,947

Source: Fannin Central Appraisal District and the Issuer.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 11**

Category	2018	% of Total	2017	% of Total	2016	% of Total	2015	% of Total	2014	% of Total
Real, Residential, Single Family	$ 859,719,864	20.40%	$ 776,847,115	20.54%	$ 713,499,299	20.05%	$ 654,892,828	20.62%	$ 631,548,515	21.37%
Real, Residential, Multi-Family	23,831,186	0.57%	21,809,790	0.58%	21,229,848	0.60%	20,238,128	0.64%	16,365,505	0.55%
Real, Vacant Lots/Tract	23,617,136	0.56%	20,764,584	0.55%	20,392,005	0.57%	17,032,047	0.54%	16,649,060	0.56%
Qualified/Improvements Open-Space Land	1,598,549,966	37.94%	1,391,378,909	36.80%	1,314,934,811	36.95%	1,170,229,102	36.84%	1,052,026,264	35.60%
Rural Land, Non Qualified Open-Space	616,420,843	14.63%	555,267,217	14.68%	510,842,773	14.35%	455,109,022	14.33%	424,259,076	14.36%
Real, Commercial	153,746,163	3.65%	136,713,302	3.62%	133,178,892	3.74%	121,605,127	3.83%	111,839,342	3.78%
Real, Industrial	43,919,046	1.04%	29,403,780	0.78%	29,141,760	0.82%	30,080,600	0.95%	27,359,540	0.93%
Real & Tangible Personal, Utilities	163,383,460	3.88%	159,192,326	4.21%	148,342,768	4.17%	158,005,050	4.97%	157,448,910	5.33%
Tangible Personal, Commercial	67,102,649	1.59%	50,581,360	1.34%	51,871,830	1.46%	45,677,730	1.44%	43,235,940	1.46%
Tangible Personal, Industrial	60,598,800	1.44%	59,648,280	1.58%	48,560,550	1.36%	45,221,120	1.42%	55,331,730	1.87%
Tangible Personal, Mobile Homes	7,090,226	0.17%	5,988,004	0.16%	5,246,764	0.15%	4,415,223	0.14%	4,122,709	0.14%
Real Residential, Inventory	499,090	0.01%	1,453,810	0.04%	445,350	0.01%	599,150	0.02%	555,830	0.02%
Special Inventory	8,373,630	0.20%	7,731,320	0.20%	8,611,650	0.24%	8,171,560	0.26%	7,699,610	0.26%
Totally Exempt Property	586,685,931	13.92%	564,639,868	14.93%	552,845,832	15.53%	445,372,000	14.02%	406,634,970	13.76%
Total Appraised Value	$ 4,213,537,990	100.00%	$ 3,781,419,665	100.00%	$ 3,559,144,132	100.00%	$ 3,176,648,687	100.00%	$ 2,955,077,001	100.00%
Less Exemptions:										
Over-65/Disabled	$ 32,335,077		$ 32,217,045		$ 26,395,136		$ 26,367,359		$ 26,338,433	
Veterans Exemptions	27,684,246		24,967,661		21,659,228		19,444,544		17,415,627	
Pollution Control	3,935,050		4,877,510		3,705,680		843,160		1,388,620	
Abatements	13,432,540		-		-		-		-	
Freeport	5,806,933		-		-		-		-	
Productivity Value Loss	1,513,021,596		1,302,761,861		1,214,492,632		1,074,957,500		963,315,078	
10% Homestead Cap Loss	21,624,587		15,519,328		16,205,074		8,155,418		7,183,121	
Totally Exempt Property/Other	586,725,181		564,652,598		552,845,832		445,372,000		406,635,070	
Total Exemptions	$ 2,204,565,210		$ 1,944,996,003		$ 1,835,303,582		$ 1,575,139,981		$ 1,422,275,949	
Net Taxable Assessed Valuation	$ 2,008,972,780		$ 1,836,423,662		$ 1,723,840,550		$ 1,601,508,706		$ 1,532,801,052	
Freeze Taxable	$ 359,881,606		$ 327,151,027		$ 304,934,688		$ 276,057,919		$ 270,062,389	
Transfer Adjustment	$ 359,227		$ -		$ -		$ -		$ -	
Net Taxable Assessed Valuation after Freeze and Adjustment	$ 1,648,731,947		$ 1,509,272,635		$ 1,418,905,862		$ 1,325,450,787		$ 1,262,738,663	

Source: Fannin Central Appraisal District - Grand Totals As of Certification

Note: Taxable Assessed Valuations are subject to change during the year due to various supplements and protests. Valuations shown in other tables of the Official Statement may not match these certified valuations.

OVERLAPPING DEBT DATA AND INFORMATION — TABLE 12

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

Taxing Body	Gross Debt Principal	As of	% Overlapping	Amount Overlapping
Bailey, City of	$ 72,000	8/31/2018	100.00%	$ 72,000
Blue Ridge ISD	13,740,000	8/31/2018	1.89%	259,686
Bonham ISD	34,860,000	8/31/2018	100.00%	34,860,000
Bonham, City of	15,920,000	8/31/2018	100.00%	15,920,000
Dodd City ISD	4,245,000	8/31/2018	100.00%	4,245,000
Dodd City, City of	1,250,000	8/31/2018	100.00%	1,250,000
Ector ISD	1,575,000	8/31/2018	100.00%	1,575,000
Fannindel ISD	1,025,000	8/31/2018	63.81%	654,053
Honey Grove ISD	8,415,000	8/31/2018	96.16%	8,091,864
Honey Grove, City of	2,867,000	8/31/2018	100.00%	2,867,000
Ladonia, City of	2,930,000	8/31/2018	100.00%	2,930,000
Leonard ISD	-	8/31/2018	88.11%	-
Leonard, City of	206,000	8/31/2018	100.00%	206,000
North Lamar ISD	-	8/31/2018	0.28%	-
Sam Rayburn ISD	3,660,000	8/31/2018	100.00%	3,660,000
Savoy ISD	1,305,000	8/31/2018	100.00%	1,305,000
Savoy, Town of	2,755,000	8/31/2018	100.00%	2,755,000
Trenton ISD	6,500,000	8/31/2018	91.01%	5,915,650
Trenton, City of	969,000	8/31/2018	100.00%	969,000
Whitewright ISD	6,850,091	8/31/2018	12.20%	835,711
Wolfe City ISD	6,810,000	8/31/2018	6.72%	457,632
Total Gross Overlapping Debt Principal	$ 115,954,091	8/31/2018		$ 88,828,596
Fannin County	$ 12,300,000 [a]	8/31/2018	100.00%	12,300,000 [a]
Total Direct and Overlapping Debt Principal				$ 101,128,596 [a]

Ratio of Direct and Overlapping Debt to 2018 Adjusted Net Taxable Assessed Valuation	5.03% [a]
Ratio of Direct and Overlapping Debt to 2018 Actual Market Value	2.40% [a]
Per Capita Direct and Overlapping Debt	$2,736.02 [a]

[a] *Includes the Bonds. (See "Table 2 - General Obligation Bonded Debt" herein.)*
Source: Municipal Advisory Council of Texas

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES — TABLE 13

Taxing Body	Date Authorized	Purpose	Amount Authorized	Issued To Date	Unissued
Whitewright Independent School District	5/9/1964	School Building	275,000	255,000	20,000 *
	5/3/2003	School Building	7,000,000	6,995,637	4,363 *
			$ 7,275,000	$ 7,250,637	$ 24,363
Fannin County	11/8/2016	Courthouse	$12,500,000	$12,500,000 [1]	$ -

Source: Municipal Advisory Council of Texas.
** Will not be issued by District.*
[1] Includes this issuance.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 14**

Governmental Entity	2018 Net Taxable Assessed Valuation	% of Actual	2018 Tax Rate
Bailey, City of	$ 5,350,054	100.00%	$ 0.47750
Blue Ridge ISD	8,226,407	100.00%	1.57149
Bonham ISD	754,112,552	100.00%	1.38210
Bonham, City of	3,784,301,257	100.00%	0.68640
Dodd City ISD	68,005,233	100.00%	1.25000
Dodd City, City of	12,894,977	100.00%	0.32350
Ector ISD	53,536,112	100.00%	1.29500
Ector, City of	19,676,635	100.00%	0.63250
Fannindel ISD	36,778,842	100.00%	1.26000
Honey Grove ISD	194,075,451	100.00%	1.35910
Honey Grove, City of	58,851,259	100.00%	0.80050
Ladonia, City of	13,011,577	100.00%	0.50790
Leonard ISD	191,907,671	100.00%	1.17000
Leonard, City of	78,815,719	100.00%	0.71933
North Lamar ISD	1,112,173,571	100.00%	1.04000
Sam Rayburn ISD	127,216,785	100.00%	1.33000
Savoy ISD	119,213,816	100.00%	1.44300
Savoy, Town of	24,148,676	100.00%	0.82540
Trenton ISD	209,246,981	100.00%	1.42000
Trenton, City of	38,996,260	100.00%	0.81300
Whitewright ISD	248,439,598	100.00%	1.32000
Wolfe City ISD	116,289,539	100.00%	1.34400

____
Source: Fannin Central Appraisal District and latest available Texas Municipal Reports published by the Municipal Advisory Council of Texas

FUND BALANCES **TABLE 15**

		(Unaudited) As of 09/30/2018
General Fund		$ 5,236,765
Special Revenue Funds		3,370,706
Debt Service Fund		85,711
Capital Projects Fund		5,269,896
	Total	$ 13,963,078

____
Source: Issuer

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE — TABLE 16

	Fiscal Year Ended September 30				
	2017	**2016**	**2015**	**2014**	**2013**
REVENUES:					
Ad valorem taxes	$ 7,747,364	$ 7,329,134	$ 7,312,582	$ 7,092,011	$ 6,871,857
Other Taxes	1,091,626	1,092,377	1,036,502	997,928	942,570
Licenses and permits	104,628	90,245	45,954	91,066	62,427
Intergovernmental	33,365	173,922	42,727	65,091	104,561
Fees of office	880,150	1,037,717	1,188,135	1,292,295	1,229,215
Fees of tax collector	412,756	394,514	385,183	339,906	326,155
Fines	19,001	24,500	31,503	42,462	42,066
Interest	27,129	12,383	5,032	4,268	5,529
Miscellaneous	321,653	413,733	285,557	317,204	516,679
Total Revenues	$ 10,637,672	$ 10,568,525	$ 10,333,175	$ 10,242,231	$ 10,101,059
EXPENDITURES:					
General administration	$ 699,662	$ 640,859	$ 624,528	$ 604,748	$ 576,778
Judicial	2,249,035	1,823,216	1,719,345	1,762,815	1,646,277
Legal	851,866	780,956	717,383	786,211	708,044
Financial administration	888,854	787,137	740,946	710,343	682,177
Public facilities	404,685	578,297	408,102	545,964	693,426
Public safety	4,596,905	4,644,476	4,056,356	4,050,375	3,901,624
Health and welfare	509,926	496,164	441,349	463,463	446,272
Nondepartmental	902,910	826,222	613,830	739,358	667,918
Debt Service:					
Principal	-	-	-	1,011,985	-
Interest and fiscal charges	-	-	-	27	-
Total Expenditures	$ 11,103,843	$ 10,577,327	$ 9,321,839	$ 10,675,289	$ 9,322,516
Other Financing Sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Sale of capital assets	116	22,940	-	-	500
Total other financing sources (uses)	116	22,940	-	-	500
Net Change in Fund Balance	(466,055)	(8,802)	1,011,336	(433,058)	779,043
Fund Balances, October 1	5,821,991	5,807,853	4,903,111	5,336,169	4,557,126
Increase (decrease) in fund balance	-	-	(106,594)	-	-
Fund Balances, September 30	$ 5,355,936	$ 5,821,991	$ 5,807,853	$ 4,903,111	$ 5,336,169

Due to the following one time equipment purchases in Fiscal Year 2018, the County is anticipating an ending General Fund balance (unaudited) of approximately $5,000,000.

3 Motorgraders	$ 306,477
2 Peterbilt Trucks	$ 325,801
1 Backhow Loader	$ 91,229
1 Track Loader	$ 45,733
Total one time purchases	$ 769,240

Source: The Issuer's Annual Financial Reports.

In 2008, the County approved and authorized the creation of the Fannin County Public Facility Corporation (the "Corporation"), a public nonprofit corporation organized pursuant to Chapter 303, Texas Local Government Code, as amended, and issued bonds designated as "Fannin County Public Facilities Corporation Project Revenue Bonds, Series 2008" (the "2008 Bonds"), the proceeds of which were used to fund the development, design, construction, furnishing, and equipping of a multi-classification secure detention center (the "Project").

On December 15, 2011, the Corporation received notice from the Internal Revenue Service (the "IRS") that the IRS would be conducting an examination of the 2008 Bonds. The IRS stated in a closing agreement (the "Closing Agreement") between the Corporation and the IRS that, based on the IRS' findings from the examination, the IRS had a basis to conclude that interest on the 2008 Bonds was includable in the bondholders' gross income because the 2008 Bonds were private activity bonds as set forth in section 141 of the Internal Revenue Code.

In the Closing Agreement, the Corporation agreed to issue taxable refunding bonds to defease all outstanding 2008 Bonds and wire to the IRS a settlement amount of $1,752,447. On July 21, 2014, in accordance with the provisions agreed to in the Closing Agreement, the Corporation authorized the issuance of its "Fannin County Public Facility Corporation Senior Lien Revenue Refunding Bonds, Taxable Series 2014 (Detention Facility Project)" (the "2014 Bonds"), refunding all outstanding 2008 Bonds and providing funds to finance the IRS settlement payment.

The Corporation originally leased the Project to the County pursuant to a Sublease Agreement, dated June 1, 2008, as amended and restated as of August 1, 2014 (the "Sublease"). The Sublease requires the County to make rental payments thereunder in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the 2014 Bonds when due. The County makes rental payments directly to U.S. Bank National Association, Dallas, Texas (the "Trustee") for deposit to a project fund established in the Sublease to be transferred by the Trustee into the 2014 Bonds' interest and sinking fund and are thereafter used to pay the principal of, premium, if any, and interest on the 2014 Bonds. The 2014 Bonds are payable from and secured by a lien on and pledge of (i) all of the right, title and interest of the Corporation in all leases, including, without limitation, the Sublease (except for the Corporation's rights to indemnification and reimbursement of expenses), and all rental payments due thereunder and (ii) a first lien on and pledge of the money and investments in certain amounts deposited in the funds and accounts established pursuant to a Trust Indenture (the "Indenture"), dated as of August 1, 2014, between the Trustee and the Corporation. The County's obligation to make rental payments under the Sublease is payable solely from revenues derived from the operation of the Project and from revenues to be received by the County for deposit into the Project fund from the County's 96-bed satellite jail facility (the "Project Revenues"). The County has not appropriated and does not intend to appropriate any ad valorem tax revenues or other funds for the payment of rental payments or other payments due under the Sublease. The 2014 Bonds are further secured by a deed of trust on the Corporation's interest in the Project given by the Corporation for the benefit of the Trustee.

The Corporation originally entered into a Ground Lease Agreement, dated June 1, 2008, as amended and restated as of August 1, 2014 (the "Ground Lease"), whereby the County leases property to the Corporation for a term ending on the earlier of June 1, 2017, or the date no 2014 Bonds or additional bonds are outstanding. The Corporation has the right under the Ground Lease to lease the Project to the County pursuant to the Sublease. The Corporation and the County agreed the Corporation may operate the Project and may add to or remove from the Project all as contemplated by the deed of trust, the Sublease, and the Indenture.

The 2014 Bonds do not constitute an indebtedness or general obligation of the Corporation or the County, but are special obligations of the Corporation payable solely from the sources provided in the trust indenture governing the 2014 Bonds' issuance. The 2014 Bonds are therefore not secured by the same source of payment as the Bonds that are the subject of this Official Statement, and a holder of the 2014 Bonds' shall not have the right to claim otherwise.

On September 30, 2016, S&P Global Ratings lowered its long-term rating on the Corporation's outstanding revenue debt to "BB" from "BBB" and kept the rating on credit watch, where it was placed with negative implications on June 3, 2016.

The Corporation has hired a consultant to investigate the possibility of refinancing the outstanding bonds with the United States Department of Agriculture at a lower interest rate. In conjunction with the refinancing, the Corporation is considering the possibility of dissolving and transferring all assets and liabilities to a new corporation.

Effective as of September 1, 2018, the GEO Group, Inc. terminated its Operation & Management Agreement and the County transitioned operations to Lasalle Corrections, LLC under the terms of a Facility Operation & Management Agreement effective as of September 1, 2018.

The following is a debt service table related only to the Corporation's outstanding debt obligations:

Fiscal Year	Bond Debt Service		
30-Sep	**Principal**	**Interest**	**Total**
2018	$ 740,000.00	$ 2,007,115.00	$ 2,747,115.00
2019	775,000.00	1,970,913.75	2,745,913.75
2020	815,000.00	1,930,542.50	2,745,542.50
2021	855,000.00	1,885,840.00	2,740,840.00
2022	900,000.00	1,836,902.50	2,736,902.50
2023	955,000.00	1,782,827.50	2,737,827.50
2024	1,010,000.00	1,722,867.50	2,732,867.50
2025	1,075,000.00	1,657,426.25	2,732,426.25
2026	1,140,000.00	1,583,965.00	2,723,965.00
2027	1,220,000.00	1,502,545.00	2,722,545.00
2028	1,305,000.00	1,415,432.50	2,720,432.50
2029	1,395,000.00	1,322,282.50	2,717,282.50
2030	1,490,000.00	1,222,750.00	2,712,750.00
2031	1,595,000.00	1,115,520.00	2,710,520.00
2032	1,705,000.00	1,000,020.00	2,705,020.00
2033	1,825,000.00	876,470.00	2,701,470.00
2034	1,950,000.00	743,370.00	2,693,370.00
2035	2,090,000.00	599,950.00	2,689,950.00
2036	2,240,000.00	446,235.00	2,686,235.00
2037	5,165,000.00	183,357.50	5,348,357.50
	$ 30,245,000.00	$ 26,806,332.50	$ 57,051,332.50

(this page intentionally left blank)

APPENDIX B

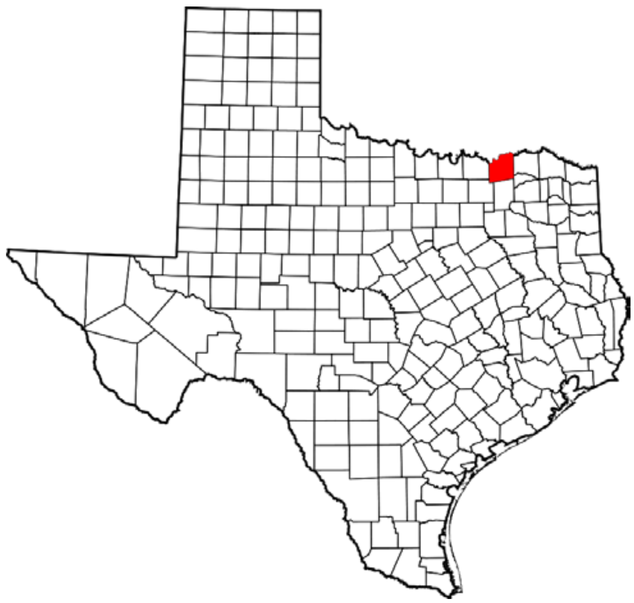
GENERAL INFORMATION REGARDING FANNIN COUNTY, TEXAS AND THE CITY OF BONHAM, TEXAS

(this page intentionally left blank)

GENERAL INFORMATION REGARDING FANNIN COUNTY AND THE CITY OF BONHAM, TEXAS

Fannin County is located Northeast of the DFW metroplex and borders Oklahoma. The county seat is the City of Bonham, Texas.

Map of Texas Counties showing location of Fannin County



Population Trends

Year	Fannin County
Current Estimate	36,962
2010 Census	33,915
2000 Census	31,242
1990 Census	24,817
1980 Census	24,285
1970 Census	22,705

Sources: U.S. Census Bureau and the Issuer and Texas Department of State Health Services.

Leading Employers – Fannin County

Employer	Type of Business	Estimated Number of Employees 2018
Sam Rayburn Memorial Veterans Center	Veterans Hospital	880
Texas Department of Criminal Justice	Prison System	500
McCraw Oil/Kwik Chek	Fuel and Propane/Convenience Stores	464
Bonham ISD	Schools	350
Walmart	Discount Store	200
Clayton Homes	Manufactured Housing	209
Texas State Veterans Home	Assisted Senior Living	170
Texoma Medical Center	Hospital	176
Fannin County and City of Bonham	Local Government	261
Voluntary Purchasing Group	Fertilizer Plant	101

Source: The Issuer.

Labor Force Statistics

	Fannin County	
	August 2018	August 2017
Civilian Labor Force	16,299	15,986
Total Employed	15,780	15,439
Total Unemployed	519	547
% Unemployed	3.2%	3.4%
% Unemployed (Texas)	3.9%	4.4%
% Unemployed (United States)	3.9%	4.5%

Source: Texas Workforce Commission, Labor Market Information Department, not seasonally adjusted.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
300 Convent Street, Suite 2100
San Antonio, Texas 78205-3792
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "Fannin County, Texas General Obligation Bonds, Series 2018" (the *Bonds*), dated December 1, 2018, in the aggregate principal amount of $6,210,000, we have reviewed the legality and validity of the issuance thereof by the Commissioners Court of Fannin County, Texas (the *County*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and have Stated Maturities of June 1 in each of the years 2020 through 2035, June 1, 2039, and June 1, 2044, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of "FANNIN COUNTY, TEXAS GENERAL OBLIGATION BONDS, SERIES 2018"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the County enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the County with the provisions of the Order and in reliance upon the representations and certifications of the County made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

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

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

Norton Rose Fulbright US LLP

APPENDIX D

EXCERPTS FROM FANNIN COUNTY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(Independent Auditor's Report, Management Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

FANNIN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

This page is left blank intentionally.

FANNIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

TABLE OF CONTENTS

Financial Section

This page is left blank intentionally.

RUTLEDGE CRAIN & COMPANY,PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITORS' REPORT

To the To the Honorable County Judge and Commissioners Comprising the

Commissioners' Court of Fannin County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fannin County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosures, on pages 5-11, 38–39, and 40-41, respectively, 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

Metro (817) 265-9989
Members:
American Institute of Certified Public Accounts
Texas Society of Certified Public Accountants

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fannin County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Rutledge Crain & Company, PC

April 11, 2018

Management's Discussion and Analysis

This page is left blank intentionally.

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

Financial Highlights

The assets of the County exceeded its liabilities at the close of the fiscal year ended September 30, 2017 by $21,567,459 (net position). Of this amount, $3,078,053 (unrestricted net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net position decreased by $1,599,995. The majority of this decrease is attributable to the increase in long term liabilities.

The County's governmental funds reported combined ending fund balances of $14,619,364, an increase of $6,194,134 in comparison to the previous year mainly due to bonds sold to fund courthouse restoration.

The unreserved portion of the General Fund fund balance at the end of the year was $5,355,936 or 48% of total General Fund expenditures for fiscal year 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary financial statements, and 4) 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 provide readers with a broad overview of Fannin County's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

The Statement of Net Position presents information on all of the County's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In addition, the statement of activities highlights government activities supported by taxes and intergovernmental revenues, along with program revenues classified to the corresponding government activity.

Fund financial statements. The County, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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

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

The County maintains 51 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund which is considered to be a major fund. Data from the other 50 funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. Private Purpose Trust funds account for assets held by the government under the terms of a formal trust agreement.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information following the notes to the financial statements. The other supplementary information includes combining and individual statements and schedules.

Government-wide Financial Analysis

At the end of fiscal year 2017, the County's net position (assets exceeding liabilities) totaled $21,567,459. This analysis focuses on the net position (Table 1) and changes in net position (Table 2). This is a decrease of $1,599,996, mainly due to an increase in long term debt.

Net Position. $12,212,496 reflects the County's investment in capital assets (land, buildings, infrastructure, machinery and equipment, construction in progress); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position, $3,078,053 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1

Condensed Statement of Net Position

	9/30/2017	9/30/2016
ASSETS		
Current and other assets	$ 20,618,047	$ 14,235,148
Capital assets	12,212,496	13,180,304
Total assets	32,830,543	27,415,452
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges	1,805,395	1,805,395
LIABILITIES		
Long-term liabilities	8,796,226	3,895,675
Other liabilities	4,067,860	2,248,011
Total liabilities	12,864,086	6,143,686
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	204,393	252,268
NET POSITION		
Net Investment in capital assets	12,212,496	13,180,303
Restricted For Debt Service	26,910	-
Restricted For Capital Projects	6,250,000	-
Unrestricted	3,078,053	9,987,152
	$ 21,567,459	$ 23,167,455

Changes in Net Position. The net position of the County increased by $1,599,995 for the fiscal year ended September 30, 2017. This increase is mainly due to an increase in long term liabilities.

Table 2
Changes in Net Position

	9/30/2017	9/30/2016
Program Revenues:		
Charges for services	$ 3,105,665	$ 3,073,787
Operating grants and contributions	517,632	484,763
Capital grant and contributions	1,045,388	2,285,587
General Revenues		
Taxes	11,038,553	10,389,274
Unrestricted Investment Earnings	61,642	16,156
Miscellaneous	116,852	95,388
Gain (loss) on sale of capital assets	137	52,282
Total Revenues	15,885,869	16,397,237
Expenses:		
General Administration	887,861	838,099
Judicial	2,331,065	1,867,070
Legal	1,000,614	927,316
Financial Administration	939,438	804,764
Public Facilities	442,195	608,415
Public Safety	4,760,734	4,747,832
Public Transportation	5,314,768	3,940,725
Health and Welfare	530,541	506,468
Non Departmental	1,066,368	826,722
Debt Service	212,281	-
Total Expenses	17,485,865	15,067,411
Increase/Decrease in net position	(1,599,996)	1,329,826
Net positition-October 1	23,167,455	21,837,629
Net positition-September 30	$ 21,567,459	$ 23,167,455

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of $14,619,364.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, unreserved fund balance was $5,355,936. This is an increase over last year with the primary reason due to the increase of liabilities.

General Fund Budgetary Highlights. Each year the County performs periodic reviews of the budget. State law prohibits increasing total budgeted expenditures except during an emergency, however an amount budgeted for one line item can be transferred to another budgeted item without authorizing an emergency expenditure.

Overall total actual revenue was over the amended budget by $1,459,645.

The overall County Sheriff budget was under amended budget by $70,652.

336th District Court was over budget by 246,572 mainly due to huge increase in CPS cases brought to the court.

Total Health and Welfare was below budget by $293,985 mainly due to Indigent Health Care being below budget.

Overall, expenditures were less than the amended budget by $964,753.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets as of September 30, 2017, amounts to $12,212,496 (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

Table 3
Capital Assets at Year End
Net of Accumulated Depreciation

	9/30/2017	9/30/2016
Land	$ 341,560	$ 341,560
Buildings	1,360,322	1,478,089
Machinery and equipment	1,286,566	1,205,488
Infrastructure	9,224,048	10,155,167
	$ 12,212,496	$ 13,180,304

Additional information on the County's capital assets can be found in the notes to the financial statements.

Debt Administration. At the end of the current fiscal year, Fannin County had total debt outstanding of only $179,814 for compensated absences.

Compensated absences decreased by $4,611.

Table 4
Outstanding Debt at Year End

Type of Debt	9/30/2017	9/30/2016
General Obligation Bonds	$ 6,150,000	$ -
Unamortized premium	268,938	-
Unamortized discount	(66,141)	-
Net General Obligation Bonds	6,352,797	-
Capital Lease Obligation	89,024	-
Net Pension Liability	2,174,591	2,063,586
Compensated Absences	179,814	184,425
Total	$ 8,796,226	$ 2,248,011

Additional information on the County's long-term debt can be found in the notes to the financial statements.
Economic Factors and Next Year's Budgets and Rates

The Fannin County economy showed stability this year, with a projection of growth for the next year. This forecast is due to the present economic conditions which indicate slight growth. In the future years, we foresee some slow growth in our county coming from the Dallas/Fort Worth Metroplex area. Overall, our property values reflect an increase in value according to preliminary appraised values for 2018 tax year.

Some key factors to look for in future budgets:

> Substantial increase in costs for the County's courts due to CPS cases increasing up to five fold over the past 2-3 years.

Requests for Information

This financial report is designed to provide a general overview of Fannin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 101 E. Sam Rayburn, Suite 303, Bonham, Texas 75418.

This page is left blank intentionally.

Basic Financial Statements

FANNIN COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 10,456,697
Investments	4,523,822
Receivables (net of allowances for uncollectibles):	
Taxes	732,923
Accounts	48,570
Fines	4,541,906
Intergovernmental	186,966
Inventories	127,163
Capital assets (net of accumulated depreciation)	
Land	341,564
Buildings	1,360,322
Machinery and equipment	1,286,563
Infrastructure	9,224,047
Total Assets	32,830,543
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges	1,805,395
Total Deferred Outflows of Resources	1,805,395
LIABILITIES	
Accounts payable	472,162
Accrued liabilities	283,349
Interest payable	109,948
Due to other governments	725,434
Due to others	2,476,967
Noncurrent liabilities:	
Due within one year	337,116
Due in more than one year	8,459,110
Total Liabilities	12,864,086
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflow	204,393
Total Deferred Inflows of Resources	204,393
NET POSITION:	
Net Investment in Capital Assets	12,212,496
Restricted For:	
Debt Service	26,910
Capital Projects	6,250,000
Unrestricted	3,078,053
Total Net Position	$ 21,567,459

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

FANNIN COUNTY, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities:					
General administration	$ 887,861	$ 447,531	$ 186,783	$ --	$ (253,547)
Judicial	2,331,065	690,528	56,494	--	(1,584,043)
Legal	1,000,614	35,007	154,881	--	(810,726)
Financial administration	939,438	413,041	--	--	(526,397)
Public facilities	442,195	--	12,420	--	(429,775)
Public safety	4,760,734	478,733	14,290	--	(4,267,711)
Public transportation	5,314,768	936,197	66,575	1,045,388	(3,266,608)
Health and welfare	530,541	104,628	26,189	--	(399,724)
Nondepartmental	1,066,368	--	--	--	(1,066,368)
Interest on long-term debt	212,281	--	--	--	(212,281)
Total expenses	17,485,865	3,105,665	517,632	1,045,388	(12,817,180)
Total Primary Government	$ 17,485,865	$ 3,105,665	$ 517,632	$ 1,045,388	(12,817,180)

General Revenues:	
Property Taxes	9,979,442
Other Taxes	1,059,111
Unrestricted Investment Earnings	61,642
Miscellaneous	116,852
Gain (Loss) on Disposal of Capital Assets	137
Total General Revenues and Transfers	11,217,184
Change in Net Position	(1,599,996)
Net Position - Beginning	23,167,455
Net Position - Ending	$ 21,567,459

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	2017 GO Bonds Construction	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,209,140	$ 6,250,000	$ 1,997,555	$ 10,456,695
Investments	3,550,923	--	972,899	4,523,822
Receivables (net of allowances for uncollectibles):				
Taxes	583,348	--	149,575	732,923
Accounts	48,570	--	--	48,570
Fines	4,541,906	--	--	4,541,906
Intergovernmental	146,204	--	40,762	186,966
Due from other funds	429	--	--	429
Inventories	--	--	127,163	127,163
Total Assets	$ 11,080,520	$ 6,250,000	$ 3,287,954	$ 20,618,474
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 405,719	$ --	$ 66,443	$ 472,162
Accrued liabilities	217,830	--	65,519	283,349
Due to other funds	--	--	429	429
Due to other governments	725,434	--	--	725,434
Due to others	2,476,967	--	--	2,476,967
Total Liabilities	3,825,950	--	132,391	3,958,341
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	556,989	--	142,135	699,124
Unavailable revenue - fines	1,341,645	--	--	1,341,645
Total Deferred Inflows of Resources	1,898,634	--	142,135	2,040,769
Fund balances:				
Nonspendable	--	--	127,163	127,163
Restricted	--	6,250,000	1,159,482	7,409,482
Committed	--	--	1,731,489	1,731,489
Unassigned	5,355,936	--	(4,706)	5,351,230
Total fund balances	5,355,936	6,250,000	3,013,428	14,619,364
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,080,520	$ 6,250,000	$ 3,287,954	$ 20,618,474

The accompanying notes are an integral part of this statement.

EXHIBIT A-4

FANNIN COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet	$ 14,619,364
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,212,495
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	699,125
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,352,797)
Payables for capital leases which are not due in the current period are not reported in the funds.	(89,024)
Payables for bond interest which are not due in the current period are not reported in the funds.	(109,946)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(179,814)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	1,341,645
Recognition of the County's proportionate share of the net pension liability is not reported in the funds.	(2,174,591)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(204,393)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,805,395
Net position of governmental activities - Statement of Net Position	$ 21,567,459

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	2017 GO Bonds Construction	Other Governmental Funds	Total Governmental Funds
Revenue:				
Ad valorem taxes	$ 7,747,364	$ --	$ 2,183,533	$ 9,930,897
Other taxes	1,091,626	--	231,908	1,323,534
Licenses and permits	104,628	--	--	104,628
Intergovernmental	33,365	--	284,163	317,528
Fees of office	880,150	--	43,622	923,772
Fees of tax collector	412,756	--	697,927	1,110,683
Fines	19,001	--	199,239	218,240
Interest	27,129	--	34,512	61,641
Miscellaneous	321,653	--	408,577	730,230
Total revenues	10,637,672	--	4,083,481	14,721,153
Expenditures:				
General administration	699,662	--	92,905	792,567
Judicial	2,249,035	--	4,808	2,253,843
Legal	851,866	--	100,745	952,611
Financial administration	888,854	--	--	888,854
Public facilities	404,685	--	9,401	414,086
Public safety	4,596,905	--	40,490	4,637,395
Public transportation	--	--	3,350,530	3,350,530
Health and welfare	509,926	--	--	509,926
Nondepartmental	902,910	--	163,458	1,066,368
Debt service:				
Paying agent fees	--	--	400	400
Bond issuance cost	--	--	106,535	106,535
Total expenditures	11,103,843	--	3,869,272	14,973,115
Excess (deficiency) of revenues over (under) expenditures	(466,171)	--	214,209	(251,962)
Other financing sources (uses):				
General obligation bonds issued	--	6,150,000	--	6,150,000
Premium on bonds issued	--	100,000	174,425	274,425
Discount on bonds issued	--	--	(67,490)	(67,490)
Sale of capital assets	116	--	21	137
Capital leases	--	--	89,024	89,024
Total other financing sources (uses)	116	6,250,000	195,980	6,446,096
Net change in fund balances	(466,055)	6,250,000	410,189	6,194,134
Fund balances, October 1	5,821,991	--	2,603,239	8,425,230
Fund balances, September 30	$ 5,355,936	$ 6,250,000	$ 3,013,428	$ 14,619,364

The accompanying notes are an integral part of this statement.

EXHIBIT A-6

FANNIN COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds	$ 6,194,134
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	400,644
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,406,967)
Donations of capital assets increase net position in the SOA but not in the funds.	1,038,050
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	48,545
(Increase) decrease in accrued interest from beginning of period to end of period.	(105,340)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	4,609
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	77,983
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(6,150,000)
Bond premiums are reported in the funds but not in the SOA.	(274,425)
Bond discounts are reported in the funds but not in the SOA.	67,490
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(89,024)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(405,695)
Change in net position of governmental activities - Statement of Activities	$ (1,599,995)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	1,768,023
Total Assets	$	1,768,023
LIABILITIES		
Due to other governments	$	854,962
Due to others		913,061
Total Liabilities	$	1,768,023

The accompanying notes are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County, a political subdivision of the State of Texas is governed by an elected judge and four county commissioners which comprise the commissioners' court. The county's operational activities include general administrative services, judicial, public safety, the construction and maintenance of roads, health and welfare assistance, permanent records preservation, and conservation.

The accounting policies of Fannin County, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the County's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the County (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

There are no component units which satisfy requirements for blending or discrete presentation within the County's financial statements. Accordingly, the basic financial statements present the County only.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* are normally are supported by taxes, charges for services, and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

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. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and permits, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The County reports the following major governmental funds:

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

Additionally, the County reports the following fund types:

The Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including private purpose trusts or major capital projects).

The Debt Service Fund accounts for the accumulation of resources to be used for the payment of principal and interest.

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other agency funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Budgetary Information

1. Annual budgets are adopted on the GAAP basis of accounting for the general fund, certain special revenue funds, and the debt service fund. All annual appropriations lapse at fiscal year end. The following special revenue funds were not budgeted:

Sheriff Work Release
Courthouse Restoration
Contraband Seizure
IHC Co-op Gin
Sheriff K-9 Unit
District Clerk and District Court Tech.
District Clerk Court Records Preservation
Hazard Mitigation
LEOSE 1
LEOSE 2
LEOSE 3
Right of Way
TCDP Grant

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. Thus, the legal level of budgetary control is at the fund level. Several supplemental appropriations were required during the year.

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2017, expenditures exceeded appropriations in the following funds:

Special Revenue Funds:	
Justice Court Technology	$ 529
Chapter 19 Funds	1,475

These excess expenditures were funded by available fund balance and anticipated revenues.

3. Deficit Fund Balances

The following funds had deficit fund balances at September 30, 2017:

Special Revenue Funds	
Hazard Mitigation	$ 429
Chapter 19 Funds	4,277

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) - (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the County, and placed through a primary government securities dealer.

Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the County based on the January 1 property values as appraised by the Fannin County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31, the County has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the County.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Infrastructure	20 - 45 years
Machinery and Equipment	5 - 10 years

4. Compensated absences

Employees accumulate earned but unused vacation and compensatory time. All vacation and compensatory pay is accrued when incurred in the government-wide funds. A liability is reported for these amounts in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the straight line method which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance issuance costs are reported as deferred outflow of resources and amortized over the term of the related debt.

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

6. Fund equity

In government-wide statements, net position is classified into three categories as follows:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of net position whose use is restricted by contributors, laws or regulations of other governments, or by laws through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of those assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental funds classify fund balances as follows:

Nonspendable Fund Balances – Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Commissioners Court is the highest level of decision-taking authority for the County that can, by adoption of a court order prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the court order remains in place until a similar action is taken (the adoption of another court order) to remove or revise the limitation.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Commissioners Court has by court order authorized the county auditor to assign fund balance. The Commissioners Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance – Amounts that are available for any purpose; these amounts can be reported only in the County's General Fund or as deficits in other governmental funds.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The County fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the County incurs an expenditure and both restricted and unrestricted amounts are available, the County considers restricted amounts to have been spent. When the County incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

	General Fund	2017 GO Bonds	NonmajorFunds	Total
Nonspendable for:				
Inventory	$ –	$ --	$127,163	$127,163
Restricted for:				
Debt Service	–	--	$26,909	26,909
Justice Administration	–	--	535,332	535,332
Preservation	–	--	–	–
Grants	–	--	4,773	4,773
Construction	–	6,250,000	115	6,250,115
Other	–	--	592,353	592,353
	–	6,250,000	1,159,482	7,409,482
Committed to:				
Road and Bridge Maintenance	–	--	1,731,489	1,731,489
Unassigned	5,355,936	--	(4,706)	5,351,230
	$5,355,936	$6,250,000	$3,013,428	$14,619,364

II. 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 a reconciliation between *fund balance-total govemmental funds* and *net assets – govemmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Court fines receivable unavailable to pay for current period expenditures are deferred in the funds, however, the net change in the deferred fines revenue is recognized as revenue in the Statement of Activities." The details of this $1,341,645 difference are as follows:

County clerk fines	$236,698
District clerk fines	1,016,722
Justice of the peace fines	88,244
Total	$1,341,644

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash

At year end, the carrying amount of the County's cash on hand and deposits was $12,226,720 (including $1,768,023 in agency funds). All of the bank balance of $12,233,528, was covered by federal deposit insurance and collateralized by the pledging financial institution with marketable securities held by an agent in the bank's name.

Investments

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

Investment type	Credit Rating	Fair Value	Days to Maturity
Government sponsored investment pool (TexPool)	AAAm*	$4,523,822	<60
Total Fair Value		$4,523,822	

* Standard and Poors

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

Credit Risk. State law limits investments as described previously in Note I.E.1.

Concentration of Credit Risk. The County's investment policy does not allow for an investment in any one issuer (other than investment pools) that is in excess of five percent of the fair value of the County's total investments.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the County's depository in the County's name and held by the depository's agent.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

TexPool is an external investment pool and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investment Act provide for creation of public funds investments pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The fair value of investments in the pool is independently reviewed monthly. At September 30, 2017 the fair value of the position in TexPool approximates the fair value of the shares.

B. Receivables

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

	General	NonMajor and Other	Total
Taxes receivable	$583,348	$149,575	$732,923
Accounts receivable	$148,570	$ --	$180,459
Allowance	(100,000)	--	(100,000)
Net accounts receivable	$48,570	$ --	$48,570
Fines receivable	$6,362,503	$ --	$6,362,503
Allowance	(1,820,597)	--	(1,820,597
Net fines receivable	$4,541,906	$ --	$4,541,906

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Deferred tax revenue (General Fund)	$556,989	$ --	$556,989
Deferred fines revenue (General Fund)	1,341,645	--	1,341,645
Deferred tax revenue (NonMajor Funds)	142,135	--	142,135
Total deferred/unearned revenue for governmental funds	$2,040,769	$ --	$2,040,769

C. Capital assets

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

	Balance 9/30/16	Additions	Retirements	Inventory Adjustment	Balance 9/30/17
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	$341,560	$ --	$ --	$ --	$341,560
Construction in progress	--	--	--	--	--
Total capital assets not being depreciated	341,560	--	--	--	341,560
Capital assets, being depreciated:					
Buildings	4,737,000	--	--	--	4,737,000
Infrastructure	27,544,067	1,038,050	(76,659)		28,505,458
Machinery and equipment	6,073,696	401,109	(118,445)	--	6,356,360
Total capital assets being depreciated	38,354,763	1,439,159	(195,104)	--	39,598,818
Less accumulated depreciation for:					
Buildings	(3,258,911)	(117,767)		--	(3,376,678)
Infrastructure	(17,388,900)	(1,969,170)	76,660	--	(19,281,410)
Machinery and equipment	(4,868,208)	(320,030)	118,444	--	(5,069,794)
Total accumulated depreciation	(25,516,019)	(2,406,967)	195,104	--	(27,727,882)
Total capital assets being depreciated, net	12,838,744	(967,808)	--	--	11,870,936
Governmental activities capital assets, net	$13,180,304	($967,808)	$ --	$ --	$12,212,496

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

Governmental activities:	
General administration	$62,387
Public facilities	28,333
Public safety	112,901
Public transportation	2,203,346
Total depreciation expense - governmental activities	$2,406,967

D. Interfund receivables, payables, and transfers

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

Fund	Receivable	Payable
Major Funds		
General Fund	$429	$ --
Nonmajor Funds		
Hazard Mitigation	--	429
Total Governmental Funds	$429	$429

Interfund receivables/payables arise because of overdrafts in pooled cash.

E. Joint Venture

The County participates (20%) with Cooke and Grayson counties in the Cooke, Fannin and Grayson County Juvenile Detention Center. Under the interlocal agreement governing the joint venture, the County shares in the cost of operations, construction and maintenance of the joint venture. The agreement requires maintenance of a minimum fund balance and returns excess assets to the venturers. Separate financial statements of the joint venture are available from the Grayson County Auditor, Sherman, Texas. An equity interest in the joint venture has not been recorded because the terms of the interlocal agreement governing the joint venture provide that, under certain circumstances, withdrawing venturers forfeit all rights, title and interest in property of the joint venture. Following is unaudited summary information of the operations of the joint venture for the year ended September 30, 2017 under the modified accrual basis of accounting:

	Unaudited
Total revenues	$256,510
Total expenses	(784,837)
Change in net assets	(528,327)
Contributions from joint venturers	534,768
Net assets - September 30, 2016	182,061
Net assets - September 30, 2017	$188,502

F. Long-term debt

The County issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of equipment and major capital facilities. These issues are direct obligations and pledge the full faith and credit of the City.

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of governmental activities and to refund previous issues. General obligation bonded debt of the County is as follows:

$6,150,000 General Obligation - Series 2017, principal due annually in series through 2042, interest due semi-annually at 3.00% to 4.00%	$ 6,150,000

Annual debt service requirements to maturity for general debt:

	Governmental Activities		
Year	Principal	Interest	Total
2018	$60,000	$303,773	$363,773
2019	160,000	209,675	369,675
2020	170,000	203,075	373,075
2021	175,000	$196,175	371,175
2022	185,000	188,975	373,975
2023-2027	1,035,000	826,275	1,861,275
2028-2032	1,230,000	629,375	1,859,375
2033-2037	1,430,000	423,162	1,853,162
2038-2042	1,705,000	152,862	1,857,862
Total	$6,150,000	$3,133,347	$9,283,347

Capital Lease Obligations

Capitalized lease obligations are comprised of leases whose terms provide for bargain purchase options at the end of the lease periods or provide the rights of ownership during the economic useful life of the assets.

$89,024 due in one instalment of $93,532, including interest at 4.95%, on March 2018, and secured by equipment with an original cost of $182,556 and a net book value of $169,516	$89,024

Future minimum payments for leases follows:

Year	Governmental
2018	$93,532
Less interest	(4,508)
Present value	$89,024

CHANGES IN LONG-TERM LIABILITIES

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

	Balance 09/30/16	Additions	Retirements	Balance 09/30/17	Due Within One Year
Governmental activities:					
General obligation bonds	$ --	$6,150,000	$ --	$6,150,000	$60,000
Deferred amounts:					
Unamortized premium	--	274,425	(5,487)	268,938	10,978
Unamortized discount	--	(67,490)	1,349	(66,141)	(2,700)
	--	6,356,935	(4,138)	6,352,797	68,278
Capitalized lease obligation	--	89,024	--	89,024	89,024
Net pension liability	2,063,586	111,005	--	2,174,591	--
Compensated absences	184,425	179,814	(184,425)	179,814	179,814
Governmental activity Long-Term Liabilities	$2,248,011	$6,736,778	($188,563)	$8,796,226	$337,116

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund, and the Road and Bridge Funds.

Authorized and Unissued Debt

The County had no authorized but unissued debt at 9/30/17.

Conduit Debt Obligations

Certain revenue bonds entitled the Fannin County Public Facility Corporation Project Revenue Bonds, Series 2008, were issued to provide financial assistance to a nonprofit public corporation to provide funds to finance a project that consists of the development, design, construction, furnishing and equipping of a multi-classification secure detention center on real property in Fannin County. The bonds are secured by the property financed and are payable by the issuer solely from the rental payments, which are in turn payable by the County solely from the project revenues and other funds pledged therefor pursuant to the indenture. The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. In the fiscal year ended September 30, 2014, the original bonds were refunded with the Fannin County PFC Senior Lien Refunding Bonds, Taxable Series 2014. As of September 30, 2017, the principal amount payable was $30,245,000.

IV. OTHER INFORMATION

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

B. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County periodically is defendant in various lawsuits. As of September 30, 2017, after consultation with the County's attorney, the County is not aware of any pending or threatened litigation which would have a material effect on the financial statements.

The District Clerk has invested trust funds at various financial institutions in accordance with court orders. The County has a fiduciary responsibility over these funds until their final disposition.

C. Retirement Commitments

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the aadministration of the statewide agent multi-employer public employee retirement system consisting of 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, 78768-20343.

The plan provisions are adopted by the County commissioners' court, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

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

2. Benefits

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

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

Inactive employees (or their beneficiaries) currently receiving benefits	89
Inactive employees entitled to but not yet receiving benefits	87
Active employees	142
	318

3. Contributions

The contribution rates for employees in TCDRS is 7% of employee gross earnings, and the County percentages is 10.54%, both as adopted by the governing body of the County. Under the state law governing TCDRS, the contribution rate for each County is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The County's contributions to TCDRS for the year ended September 30, 2017, were $546,604 and were equal to the required contributions.

4. Net Pension Liability

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

Actuarial assumptions:

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. These assumptions were first used in the December 31, 2016 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic 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	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment - Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
	100.00%	

Discount Rate

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

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduci ry Net Position [b]	Net Pension Liability(Asset) [a] - (b)
Balance at 12/31/15	$21,468,085	$19,404,497	$2,063,588
Changes for the year:			
Service cost	784,499	0	784,499
Interest on total pension liability	1,729,124	0	1,729,124
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	(48,286)	0	(48,286)
Effect of of assumptions changes or inputs	0	0	0
Refund of contributions	0	0	0
Benefit payments	(1,031,097)	(1,031,097)	0
Administrative expenses	0	(15,603)	15,603
Member contributions	0	364,103	(364,103)
Net investment income	0	1,435,773	(1,435,773)
Contributions - employer	0	548,235	(548,235)
Other	0	21,826	(21,826)
Net changes	1,434,240	1,323,237	111,003
Balance at 12/31/15	$22,902,325	$20,727,734	$2,174,591

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$25,713,001	$22,902,325	$20,547,684
Fiduciary net position	20,727,734	20,727,734	20,727,734
Net Pension Liability (Asset)	$4,985,267	$2,174,591	($180,050)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the County recognized pension expense of $1,001,706. At September 30, 2017, the County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/16 Expense	Balance of Deferred Inflows 12/31/16	Balance of Deferred Outflows 12/31/2016
Investment (gains) or losses	$131,522	12/31/2016	5.0	$26,304	$ --	$105,218
	1,729,129	12/31/2015	5.0	345,826	--	1,037,477
	252,475	12/31/2014	5.0	50,495	--	100,990
Economic/demographic						
(gains) or losses	(48,286)	12/31/2016	4.0	(12,072)	36,215	--
	(336,357)	12/31/2015	4.0	(84,089)	168,178	--
	156,343	12/31/2014	4.0	39,086	--	39,086
Assumptions changes or inputs	--	12/31/2016	4.0			
	240,606	12/31/2015	4.0	60,151	--	120,303
	--	12/31/2014	4.0			
Employer contributions made						
subsequent to measurement date				--	--	402,321
				$425,701	$204,393	$1,805,395

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows/outflows to Be Recognized in Future Years

Year ended December 31,	
2016	$425,702
2017	386,616
2018	360,058
2019	26,305
2020	--
	$1,198,681

F. Concentrations of Credit Risk

Taxes receivable are due from citizens and businesses within the County's boundaries. Risk of loss is immaterial due to wide dispersion of receivables and because of policies which address procedures for filing property tax liens. Fines receivable are due from citizens primarily within the County's boundaries. Risk of loss is reduced by an allowance for uncollectibles and collection policies.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Ad valorem taxes	$ 7,447,634	$ 7,447,634	$ 7,747,364	$ 299,730
Other taxes	1,006,143	1,006,143	1,091,626	85,483
Licenses and permits	71,000	71,000	104,628	33,628
Intergovernmental	35,000	35,000	33,365	(1,635)
Fees of office	845,125	855,125	880,150	25,025
Fees of tax collector	355,800	355,800	412,756	56,956
Fines	26,500	26,500	19,001	(7,499)
Interest	6,000	6,000	27,129	21,129
Miscellaneous	497,956	504,305	321,653	(182,652)
Total revenues	10,291,158	10,307,507	10,637,672	330,165
Expenditures:				
Current:				
General administration				
County Judge	192,096	192,096	175,314	16,782
911 Coordinator	23,000	23,000	23,000	--
County Clerk	362,761	362,761	347,387	15,374
Elections	48,718	52,718	44,988	7,730
Court Administration	137,421	137,421	108,973	28,448
Total General administration	763,996	767,996	699,662	68,334
Judicial				
County Court at Law	442,847	442,983	409,625	33,358
District Court	735,506	735,506	982,078	(246,572)
District Clerk	430,011	430,011	419,189	10,822
Justice of the Peace Number One	163,345	163,345	162,965	380
Justice of the Peace Number Two	126,369	126,369	117,635	8,734
Justice of the Peace Number Three	106,821	106,821	99,235	7,586
Bond supervisor	59,017	59,017	58,308	709
Total Judicial	2,063,916	2,064,052	2,249,035	(184,983)
Legal				
District and County Attorney	858,614	858,614	851,866	6,748
Total Legal	858,614	858,614	851,866	6,748
Financial administration				
County Auditor	265,546	265,546	264,621	925
County Purchasing	78,201	78,201	77,519	682
County Treasurer	138,948	138,948	136,797	2,151
Tax Assessor Collector	305,711	305,796	304,096	1,700
Computer/IT Department	113,637	113,637	105,821	7,816
Total Financial administration	902,043	902,128	888,854	13,274
Public facilities				
Courthouse	794,335	725,985	321,387	404,598
County Office Building	19,004	18,004	13,543	4,461
Co-op Office Building	11,100	11,100	9,394	1,706
Courthouse South Annex	36,946	35,946	32,524	3,422
Old County Jail Building	--	2,731	2,730	1
Windom County Building	5,749	18,380	16,371	2,009
Agri Life Extension Building	48,361	47,361	8,736	38,625
Total Public facilities	915,495	859,507	404,685	454,822

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Public safety				
Emergency Management	$ 73,188	$ 73,188	$ 72,085	$ 1,103
Ambulance Service	540,000	540,000	540,000	--
Fire Protection	87,694	95,435	94,933	502
Constables Precinct Number One	48,787	48,787	47,262	1,525
Constables Precinct Number Two	32,530	32,975	32,473	502
Constables Precinct Number Three	28,969	35,318	34,795	523
County Sheriff	1,838,224	1,861,979	1,791,327	70,652
Jail Operations	1,937,625	1,947,625	1,840,321	107,304
Adult Probation	2,300	2,300	2,438	(138)
Juvenile Probation	140,000	140,000	140,000	--
Animal Control Officer	4,000	4,000	1,271	2,729
Total Public safety	4,733,317	4,781,607	4,596,905	184,702
Health and welfare				
Veterans Service	54,203	54,203	49,103	5,100
Health Inspector	84,652	84,652	82,189	2,463
County Welfare	266,103	266,103	65,244	200,859
Health Officer	2,400	2,400	1,400	1,000
Indigent Health Care	297,955	297,955	224,837	73,118
County Agents	98,598	98,598	87,153	11,445
Total Health and welfare	803,911	803,911	509,926	293,985
Nondepartmental				
Non-departmental	757,955	769,913	770,257	(344)
County Offices Relocation	--	103,185	130,653	(27,468)
Contingency	250,000	152,683	--	152,683
Donations and Allocations	3,000	3,000	2,000	1,000
Total Nondepartmental	1,010,955	1,028,781	902,910	125,871
Debt Service:				
Total expenditures	12,052,247	12,068,596	11,103,843	964,753
Excess (deficiency) of revenues over (under) expenditures	(1,761,089)	(1,761,089)	(466,171)	1,294,918
Other financing sources (uses):				
Sale of capital assets	1,000	1,000	116	(884)
Total other financing sources (uses)	1,000	1,000	116	(884)
Net change in fund balances	(1,760,089)	(1,760,089)	(466,055)	1,294,034
Fund balances, October 1	5,821,991	5,821,991	5,821,991	--
Fund balances, September 30	$ 4,061,902	$ 4,061,902	$ 5,355,936	$ 1,294,034

FANNIN COUNTY, TEXAS

SCHEDULE OF CHANGES IN THE COUNTY'S
NET PENSION LIABILITY AND RELATED RATIOS
FANNIN COUNTY PENSION PLAN
*LAST TEN PLAN YEARS **

	Plan Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability:										
Service cost	$ 784,499	$ 732,697	$ 680,051	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Interest	1,729,122	1,637,274	1,509,853	--	--	--	--	--	--	--
Changes of benefit terms	--	(100,521)	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(48,286)	(336,357)	156,343	--	--	--	--	--	--	--
Changes of assumptions	--	240,608	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(1,031,097)	(963,214)	(775,709)	--	--	--	--	--	--	--
Net change in total pension liability	1,434,238	1,210,487	1,570,538	--	--	--	--	--	--	--
Total pension liability - beginning	21,468,085	20,257,598	18,687,060	--	--	--	--	--	--	--
Total pension liability - ending (a)	$ 22,902,323	$ 21,468,085	$ 20,257,598	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Plan fiduciary net position:										
Contributions - employer	$ 548,235	$ 533,377	$ 556,083	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Contributions - employee	364,103	351,897	357,849	--	--	--	--	--	--	--
Net investment income	1,435,773	(130,755)	1,242,415	--	--	--	--	--	--	--
Benefit payments, including refunds	--	--								
of employee contributions	(1,031,097)	(963,214)	(775,709)	--	--	--	--	--	--	--
Administrative expense	(15,603)	(14,025)	(14,558)	--	--	--	--	--	--	--
Other	21,826	43,703	4,611	--	--	--	--	--	--	--
Net change in plan fiduciary net position	1,323,237	(179,017)	1,370,691	--	--	--	--	--	--	--
Plan fiduciary net position - beginning	19,404,497	19,583,514	18,212,823	--	--	--	--	--	--	--
Plan fiduciary net position - ending (b)	$ 20,727,734	$ 19,404,497	$ 19,583,514	$ --	$ --	$ --	$ --	$ --	$ --	$ --
County's net pension liability - ending (a) - (b)	$ 2,174,589	$ 2,063,588	$ 674,084	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Plan fiduciary net position as a percentage of the total pension liability	90.50%	90.39%	96.67%	--	--	--	--	--	--	--
Covered-employee payroll	$ 5,201,471	$ 5,027,100	$ 5,097,003	$ --	$ --	$ --	$ --	$ --	$ --	$ --
County's net pension liability as a percentage of covered-employee payroll	41.81%	41.05%	13.23%	--	--	--	--	--	--	--

Notes to Schedule:

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

EXHIBIT B-3

FANNIN COUNTY, TEXAS

SCHEDULE OF COUNTY CONTRIBUTIONS
FANNN COUNTY PENSION PLAN
*LAST TEN FISCAL YEARS **

	September 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 546,604	$ 488,528	$ 484,497	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Contributions in relation to the actuarially determined contribution	(546,604)	(488,528)	(484,497)	--	--	--	--	--	--	--
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Covered-employee payroll	$ 5,104,482	$ 4,626,601	$ 4,532,541	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Contributions as a percentage of covered-employee payroll	10.71%	10.56%	10.69%	--	--	--	--	--	--	--

Notes to Schedule

Valuation date: December 31, 2016

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14.9 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2016 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2015 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Information concerning the budget and budget calendar are detailed in footnote I.D. The General Fund budget is presented on a generally accepted accounting principles basis.

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.