

OFFICIAL STATEMENT

Dated January 28, 2019

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

NEW ISSUE – Book-Entry-Only

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

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

**\$6,280,000
OCHILTREE COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2019**

Dated Date: January 15, 2019

Due: February 15, as shown on page 2

Interest Accrues from the Date of Initial Delivery

PAYMENT TERMS . . . Interest on the \$6,280,000 Ochiltree County, Texas, Certificates of Obligation, Series 2019 (the "Certificates") will accrue from the Date of Initial Delivery (as defined below) of the Certificates, will be payable February 15 and August 15 of each year, commencing February 15, 2020, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of Ochiltree County, Texas (the "County"), payable 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, as provided in the order of the Commissioners Court of the County authorizing the issuance of the Certificates (the "Order") (see "THE CERTIFICATES - Authority for Issuance" and "- Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) the construction and equipping of a new Ochiltree County Law Enforcement Center, including a county jail facility and other law enforcement facilities, and the acquisition of a site therefor; and (2) the payment of professional services and costs of issuance related thereto (see "THE CERTIFICATES – Purpose").

**CUSIP PREFIX: 675526
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2**

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser identified below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on February 28, 2019 (the "Date of Initial Delivery").

SAMCO CAPITAL MARKETS, INC.

MATURITY SCHEDULE

Principal Amount	Maturity February 15	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 205,000	2020	4.000%	1.830%	AA5
330,000	2021	4.000%	1.870%	AB3
345,000	2022	4.000%	1.910%	AC1
360,000	2023	4.000%	1.980%	AD9
370,000	2024	4.000%	2.060%	AE7
385,000	2025	4.000%	2.140%	AF4
405,000	2026	4.000%	2.230%	AG2
420,000	2027	4.000%	2.340%	AH0
435,000	2028	4.000%	2.430%	AJ6 ⁽²⁾
455,000	2029	4.000%	2.530%	AK3 ⁽²⁾
475,000	2030	4.000%	2.650%	AL1 ⁽²⁾
490,000	2031	4.000%	2.740%	AM9 ⁽²⁾
515,000	2032	4.000%	2.810%	AN7 ⁽²⁾
535,000	2033	4.000%	2.880%	AP2 ⁽²⁾
555,000	2034	4.000%	2.940%	AQ0 ⁽²⁾

(Interest to Accrue from the Date of Initial Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the County, the Financial Advisor, or the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield shown is yield to first call date, February 15, 2027.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE CERTIFICATES – Optional Redemption”).

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

No dealer, broker, salesman or other person has been authorized by the County or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the County and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor, the County or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the County's undertaking to provide certain information on a continuing basis.

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

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to the Underwriter and other dealers who may sell the Certificates into investment accounts.

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

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

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

NONE OF THE COUNTY, THE FINANCIAL ADVISOR, THE UNDERWRITER OR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

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

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

OFFICIAL STATEMENT SUMMARY

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

- THE COUNTY** Ochiltree County, Texas (the “County”) is a legal subdivision of the State of Texas (the “State”), located in north central Texas. The County covers approximately 918 square miles. The City of Perryton is the County Seat.
- THE CERTIFICATES** The Certificates are issued as \$6,280,000 Certificates of Obligation, Series 2019. The Certificates are issued as serial certificates maturing February 15, 2020 through and including February 15, 2034.
- PAYMENT OF INTEREST** Interest on the Certificates accrues from the Date of Initial Delivery of the Certificates to the Underwriter, and is payable February 15, 2020, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES – Description of the Certificates”).
- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an order of the Commissioners Court of the County authorizing the issuance of the Certificates (the “Order”) (see “THE CERTIFICATES - Authority for Issuance” and “– Security and Source of Payment”).
- SECURITY FOR THE CERTIFICATES**..... The Certificates constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County (see “THE CERTIFICATES – Security and Source of Payment”).
- QUALIFIED TAX-EXEMPT OBLIGATIONS**..... The Certificates have been designated as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions”).
- OPTIONAL REDEMPTION** The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE CERTIFICATES – Optional Redemption”).
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described herein. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) the construction and equipping of a new Ochiltree County Law Enforcement Center, including a county jail facility and other law enforcement facilities, and the acquisition of a site therefor; and (2) the payment of professional services and costs of issuance related thereto (see “THE CERTIFICATES – Purpose”).
- RATING** The Certificates are rated “AA-” with a stable outlook by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) (see “OTHER INFORMATION - Rating”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System”).

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Funded Tax Debt Per Capita	% Total Collections
2015	10,697	\$1,976,809,029	\$ 184,800	\$ -	-	\$ -	100.45%
2016	10,295	1,962,641,411	190,640	-	-	-	101.19%
2017	10,073	1,364,279,844	135,439	-	-	-	100.72%
2018	10,073	1,344,212,110	133,447	-	-	-	100.27%
2019	10,073	1,429,950,727	141,959	6,280,000 ⁽³⁾	0.44%	623	N/A

(1) Source: The Municipal Advisory Council of Texas.

(2) As reported by the Ochiltree County Appraisal District on County’s annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Projected. Includes the Certificates.

For additional information regarding the County, please contact:

Jim Dear
 County Auditor
 Ochiltree County
 511 S. Main Street
 Perryton, Texas 79070
 Phone: (806) 435-8044

or

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

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Commissioners Court</u>	<u>Term Expires</u>	<u>Length of Service</u>
Charles Kelly Judge	December 31, 2022	Newly Elected
Duane Pshigoda Commissioner, Precinct No. 1	December 31, 2020	18 Years
Joe Johnson Commissioner, Precinct No. 2	December 31, 2022	Newly Elected
J.W. DeWitt ⁽¹⁾ Commissioner, Precinct No. 3	December 31, 2020	Newly Appointed
Kevin Walker Commissioner, Precinct No. 4	December 31, 2022	Newly Elected

(1) Swear in date January 21, 2019.

OTHER ELECTED AND APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Jim Dear	County Auditor	11 Years
Britney Meraz	County Treasurer	Newly Appointed
Cassi Laxton	County Clerk	Newly Appointed
Jose N. Meraz	County Attorney	2 Years

CONSULTANTS AND ADVISORS

AuditorDoshier, Pickens & Francis, LLC
 Certified Public Accountants
 Amarillo, Texas

Bond Counsel Bickerstaff Heath Delgado Acosta LLP
 Austin, Texas

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

**OFFICIAL STATEMENT
RELATING TO
\$6,280,000
OCHILTREE COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2019**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$6,280,000 Ochiltree County, Texas, Certificates of Obligation, Series 2019 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order adopted by the Commissioners Court of Ochiltree County, Texas (the "County") on the date of sale of the Certificates which authorized the issuance of the Certificates (the "Order"), except as otherwise indicated herein.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market 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.

DESCRIPTION OF THE COUNTY . . . The County was organized in 1889 and operates as specified under the Constitution of the State of Texas (the "State") and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms. Other major County elective officers include the County Clerk and County Treasurer. The 2010 Census population for the County was 10,223 and the 2018 estimated population is 10,073. The County covers approximately 918 square miles. The City of Perryton is the County Seat. For more information regarding the County, see "APPENDIX A – General Information Regarding the County".

THE CERTIFICATES

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) the construction and equipping of a new Ochiltree County Law Enforcement Center, including a county jail facility and other law enforcement facilities, and the acquisition of a site therefor; and (2) the payment of professional services and costs of issuance related thereto.

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated January 15, 2019, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates accrues from the Date of Initial Delivery of the Certificates to the Underwriter, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2020. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the Order.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the County is subject to a continuing direct annual ad valorem tax levied by the County sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, such as the Certificates, which tax must be levied within the limits prescribed by law. See "THE CERTIFICATES – Tax Rate Limitation".

TAX RATE LIMITATION . . . *General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations.* The Texas Constitution (Article VIII, Section 9) imposes a limit of \$0.80 per \$100 assessed valuation of all taxable property within the County for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, warrants or certificates of obligation issued against such funds. The Attorney General of Texas will not approve the issuance of limited tax bonds in an amount which produces debt service requirements

exceeding that which can be paid from \$0.40 of the foregoing \$0.80 maximum tax rate calculated at 90% collection. The Certificates are limited tax obligations payable from the \$0.80 constitutional tax rate.

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

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

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

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

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

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

AMENDMENTS TO THE ORDER . . . The County may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and 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 Certificates affected, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2028, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the particular Certificates to be redeemed will be selected by the County in integral multiples of \$5,000 within any one maturity. If a Certificate (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Certificate (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . At least 30 days prior to a redemption date for the Certificates, the County shall cause a notice of redemption to be sent by United States mail, first class postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, IRRESPECTIVE OF WHETHER ONE OR MORE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE OR ANY DEFECT IN SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, PROVIDED PAYMENT FOR THEIR REDEMPTION SHALL HAVE BEEN DEPOSITED WITH THE PAYING AGENT/REGISTRAR, AND, NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be redeemed thereby automatically shall be treated

as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The County reserves the right to give notice of its election or direction to optionally redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the County retains the right to rescind such notice at any time prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Certificates subject to conditional redemption where redemption has been rescinded shall remain outstanding.

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

DEFEASANCE . . . The Order provides for the defeasance of the Certificates in any manner now or hereafter provided by law, including when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities (defined below) to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The County has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the County money in excess of the amount required for such defeasance.

The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the County adopts or approves the proceedings authorizing 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 have been refunded and that, on the date the governing body of the County adopts or approves the proceedings authorizing the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for United States Treasury securities acquired to defease any Certificates, or those for any other Defeasance 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 those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("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 Certificates, registered owners of Certificates 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 Certificates shall no longer be regarded to be outstanding obligations for purposes of applying any debt limitation on indebtedness or for purposes of taxation.

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

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

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but neither the County nor the Underwriter take any responsibility for the accuracy thereof.

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

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

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

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

CERTIFICATEHOLDERS' REMEDIES . . . If the County defaults in the payment of the principal, premium, if any, or interest, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Order and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Certificateholders 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 legislature has not waived the County's sovereign immunity from a suit for money damages, and without legislative action Certificateholders may not be able to bring such a suit against the County for breach of the Certificates or Order covenants. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

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

SOURCES OF PROCEEDS:

Principal Amount of the Certificates	\$ 6,280,000.00
Reoffering Premium	550,054.40
Total Sources of Proceeds	<u>\$ 6,830,054.40</u>

USES OF PROCEEDS:

Deposit to Project Construction Fund	\$ 6,677,821.70
Underwriter's Discount	45,532.70
Costs of Issuance	106,700.00
Total Uses of Proceeds	<u>\$ 6,830,054.40</u>

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TAX INFORMATION

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

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

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

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

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

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. The governing body of a political subdivision is prohibited from reducing or repealing the amount of this optional homestead exemption if it was in place for the 2014 tax year (fiscal year ending 2015) for a period ending December 31, 2019.

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

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces. The exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; 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.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by

majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such tax limitation, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

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

Also approved by the November 5, 2013 election was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

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

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal.

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

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

Pursuant to Chapter 311, Texas Tax Code, as amended, a county or a municipality may create tax increment financing districts ("TIF") within their territory with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including the County, may agree with the municipality to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the County against the "incremental value" of property in the TIF are not available for general use by the County but are remitted to the municipality creating the TIF, or to the TIF fund if the TIF was created by the County, to pay or finance "project costs" within the TIF.

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

Counties are also authorized, pursuant to Chapter 381, Texas Local Government Code (“Chapter 381”), as amended, to establish programs to promote state or local economic development and to stimulate business and commercial activity in the County. In accordance with a program established pursuant to Chapter 381, the County may make loans or grant of public 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.

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

Under the Property Tax Code, the County must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. The Commissioners Court may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until it has held two public hearings on the proposed tax rate following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year. The County has not authorized the additional one-half cent sales tax.

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

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

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

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

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

COUNTY APPLICATION OF TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$10,000.

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

See "TAX INFORMATION – Table 1 – Valuation, Exemptions and General Obligation Debt" for the amount of the exemptions described above.

The County has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

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

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

The County does not tax freeport property.

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

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

For the fiscal year ended September 30, 2017, Ochiltree County abated property taxes totaling \$615,344 under this program, including the following tax abatement agreements:

- A 55 percent tax abatement to Palo Duro Wind Energy for eligible property in the reinvestment zone. The abatement amounted to \$615,344.
- A 70 percent tax abatement to Perryton Wind, LLC for eligible property in the reinvestment zone. The abatement amounted to zero dollars for the fiscal year ended September 30, 2018. Per the abatement agreement, the abatement years do not begin until the year after the company begins commercial operations.
- A 70 percent tax abatement to Perryton Plains Wind, LLC for eligible property in the reinvestment zone. The abatement amounted to zero dollars for the fiscal year ended September 30, 2018. Per the abatement agreement, the abatement years do not begin until the year after the company begins commercial operations.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2018/2019 Market Valuation Established by Ochiltree County Appraisal District (excludes exempt property)	\$2,033,399,419
Less Exemptions/Reductions at 100% Market Value:	<u>\$ 603,448,692</u>
2018/2019 Taxable Assessed Valuation	\$ 1,429,950,727
General Obligation Debt outstanding as of 12/31/2018: The Certificates	\$ - <u>6,280,000</u>
	\$ 6,280,000
I&S Fund Balance as of 12/31/2018:	\$ -
Ratio General Obligation Debt to Taxable Assessed Valuation	0.44%

2018 Estimated Population - 10,073
Per Capita Taxable Assessed Valuation - \$141,959
Per Capita General Obligation Debt - \$623

TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Funded Tax Debt Per Capita
2015	10,697	\$1,976,809,029	\$ 184,800	\$ -	-	\$ -
2016	10,295	1,962,641,411	190,640	-	-	-
2017	10,073	1,364,279,844	135,439	-	-	-
2018	10,073	1,344,212,110	133,447	-	-	-
2019	10,073	1,429,950,727	141,959	6,280,000 ⁽³⁾	0.44%	623

(1) Source: The Municipal Advisory Council of Texas.

(2) As reported by the Ochiltree County Appraisal District on County's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Projected. Includes the Certificates.

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TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY ⁽¹⁾

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy	Tax Year
		General Fund	Interest and Sinking Fund				
2015	\$ 0.4000	\$ 0.4000	\$ -	\$ 7,907,235	99.86%	100.45%	2014
2016	0.4240	0.4240	-	8,318,632	100.75% ⁽²⁾	101.19%	2015
2017	0.5240	0.5240	-	7,200,209	99.28%	100.72%	2016
2018	0.5240	0.5240	-	7,147,949	99.13%	100.27%	2017
2019	0.5240	0.5240	-	7,496,495	In Process of Collection		2018

(1) The above figures include Rendition Fees collected, as well as Penalty & Interest collected. “Current Year Collections” are collections from October 1 through September 30 for a prior year.

(2) For FY2016, per Ochiltree County Appraisal District, supplemental roll was added after original levy was calculated.

TABLE 4 - TAX RATE DISTRIBUTION ANALYSIS

	Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
General Fund	\$ 0.5240	\$ 0.5240	\$ 0.5240	\$ 0.4240	\$ 0.4000
Interest and Sinking Fund	-	-	-	-	-
Total Constitutional Tax Rate	\$ 0.5240	\$ 0.5240	\$ 0.5240	\$ 0.4240	\$ 0.4000
Special Road and Bridge Tax Rate	\$ -	\$ -	\$ -	\$ -	\$ -
Farm-to-Market Tax Rate	\$ -	\$ -	\$ -	\$ -	\$ -
County Road	\$ -	\$ -	\$ -	\$ -	\$ -
Total Tax Rate	<u>\$ 0.5240</u>	<u>\$ 0.5240</u>	<u>\$ 0.5240</u>	<u>\$ 0.4240</u>	<u>\$ 0.4000</u>

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TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	2018/2019 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Mewbourne Oil Co.	\$ 100,846,170	7.05%
Palo Duro Wind Energy LLC	75,693,340	5.29%
Perdure Petroleum LLC	56,996,090	3.99%
Courson Oil & Gas Inc.	49,282,580	3.45%
Seaboard Foods LLC	46,157,499	3.23%
PVR Midstream LLC	36,976,810	2.59%
Apache Corp.	28,777,590	2.01%
BP American Production Co.	26,005,480	1.82%
Quanah Panhandle LLC	21,009,070	1.47%
4P Energy Texas LLC	18,507,600	1.29%
	<u>\$ 460,252,229</u>	<u>32.19%</u>

(1) As shown in Table 5, above, the top ten taxpayers of the County account for approximately 32.19% of the County’s tax base. Adverse developments in economic conditions, especially in the oil and natural gas industry, could adversely impact the taxable values in the County, resulting in less tax revenue. If any major taxpayer were to default in the payment of taxes, the County’s ability to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process.

TABLE 6 - TAX ADEQUACY ⁽¹⁾

Average Annual Tax Supported Principal and Interest Requirements, 2020 - 2034	\$ 566,795
\$0.0409 Tax Rate at 97% Collection Produces	\$ 567,304
Maximum Tax Supported Principal and Interest Requirements, 2032	\$ 568,900
\$0.0411 Tax Rate at 97% Collection Produces	\$ 570,078

(1) Projected. Includes the Certificates.

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TABLE 7 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

<u>Taxing Jurisdiction</u>	Total G.O. Tax Debt 12/31/2018	Estimated % Applicable	Overlapping G.O. Tax Debt As of 12/31/2018
Ochiltree County	\$ 6,280,000 ⁽¹⁾	100.00%	\$ 6,280,000 ⁽¹⁾
Booker ISD	-	15.85%	-
Booker, City of	1,340,000	4.65%	62,310
Perryton ISD	17,353,712	100.00%	17,353,712
Perryton, City of	3,026,000	100.00%	3,026,000
Spearman ISD	9,850,000	23.70%	2,334,450
Total Direct and Overlapping G.O. Debt			\$ 29,056,472
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			2.03%
Per Capita Overlapping G.O. Debt			\$ 2,885

⁽¹⁾ Includes the Certificates.

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	The Certificates ⁽¹⁾		
	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	205,000	363,629	568,629
2021	330,000	236,400	566,400
2022	345,000	222,900	567,900
2023	360,000	208,800	568,800
2024	370,000	194,200	564,200
2025	385,000	179,100	564,100
2026	405,000	163,300	568,300
2027	420,000	146,800	566,800
2028	435,000	129,700	564,700
2029	455,000	111,900	566,900
2030	475,000	93,300	568,300
2031	490,000	74,000	564,000
2032	515,000	53,900	568,900
2033	535,000	32,900	567,900
2034	555,000	11,100	566,100
	<u>\$ 6,280,000</u>	<u>\$ 2,221,929</u>	<u>\$ 8,501,929</u>

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The County has no authorized but unissued General Obligation Bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The County does not anticipate the issuance of general obligation debt within the next twelve months.

OTHER OBLIGATIONS

The County has no long-term liabilities in terms of notes outstanding.

RETIREMENT PLAN

CONTRIBUTIONS . . . The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 7.33% with a supplemental rate of 4.01% for the months of the accounting year in 2017 and 7.18% with a supplemental rate of 4.16% for the months of the accounting year in 2018. The contribution rate payable by the employee members is 7.0% for fiscal year 2018 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

(For more detailed information concerning the County’s retirement plan, see “APPENDIX B – Excerpts From the County’s Annual Financial Report” - Note 6.)

FINANCIAL INFORMATION

TABLE 9 - CHANGES IN NET POSITION

	Fiscal Years Ended September 30,				
	2018	2017	2016	2015	2014
REVENUES:					
Program Revenues:					
Charges for Services	\$ 1,194,131	\$ 1,411,039	\$ 1,280,821	\$ 1,412,762	\$ 1,830,104
Operating Grants and Contributions	109,176	102,454	154,111	114,307	129,344
Capital Grants and Contributions	-	43,919	658,882	574,334	14,451
General Revenues:					
Property taxes	7,117,309	7,183,462	8,390,888	7,861,346	7,071,088
Other taxes	67,647	63,772	74,759	83,795	66,802
Investment earnings	220,402	89,845	39,984	18,379	19,411
Miscellaneous	95,090	248,679	77,598	164,762	107,043
Gain on disposal of capital assets	23,398	-	30,543	55,492	45,490
Total General Revenues	\$ 8,827,153	\$ 9,143,170	\$ 10,707,586	\$ 10,285,177	\$ 9,283,733
EXPENSES:					
Governmental Activities:					
General government	\$ 1,747,382	\$ 1,992,375	\$ 2,114,488	\$ 1,610,821	\$ 1,909,795
Judicial	853,324	855,628	819,667	833,250	836,513
Public facilities	1,236,310	1,187,029	1,289,707	1,278,862	1,391,707
Public safety	2,422,233	2,318,648	1,913,323	1,892,821	1,839,001
Road and bridge	2,687,096	2,590,648	2,987,758	3,330,098	2,331,358
Debt Service	175,625	184,791	195,893	180,312	180,708
Total Expenses	\$ 9,121,970	\$ 9,129,119	\$ 9,320,836	\$ 9,126,164	\$ 8,489,082
Increase (Decrease) in Net Position	\$ (294,817)	\$ 14,051	\$ 1,386,750	\$ 1,159,013	\$ 794,651
Net Position - Beginning	\$ 33,140,145	\$ 33,126,094	\$ 31,739,344	\$ 32,281,636	\$ 31,486,985
Prior period adjustment	-	-	-	(1,701,305)	-
Net Position - Beginning, as restated	\$ 33,140,145	\$ 33,126,094	\$ 31,739,344	\$ 30,580,331	\$ 31,486,985
Net Position - Ending	<u>\$32,845,328</u>	<u>\$33,140,145</u>	<u>\$33,126,094</u>	<u>\$31,739,344</u>	<u>\$32,281,636</u>

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TABLE 9A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2018	2017	2016	2015	2014
Property taxes	\$ 7,094,043	\$ 7,199,414	\$ 8,360,465	\$ 7,926,940	\$ 7,056,877
Other taxes	67,647	63,772	74,759	83,795	66,802
Licenses and fees	946,498	927,499	942,932	1,081,704	1,125,961
Fines and forfeitures	201,272	305,439	260,739	261,189	410,028
Intergovernmental	79,037	110,876	733,183	658,813	105,884
Interest earnings	218,222	89,083	39,346	17,891	19,129
Miscellaneous	91,939	246,291	72,153	160,670	100,947
Total Revenues	\$ 8,698,658	\$ 8,942,374	\$ 10,483,577	\$ 10,191,002	\$ 8,885,628
<u>Expenditures</u>					
Current:					
General government	\$ 1,781,669	\$ 2,027,881	\$ 2,361,230	\$ 1,822,269	\$ 1,908,679
Judicial	820,290	796,317	789,638	786,734	800,751
Public facilities	1,128,146	1,072,232	1,153,973	1,161,707	1,286,889
Public safety	2,399,249	2,230,882	1,883,561	1,827,531	1,816,944
Road and bridge	1,896,850	1,793,763	2,189,561	2,510,924	1,586,856
Public service	170,384	181,660	190,435	177,478	179,309
Capital outlay	503,691	110,838	321,633	888,478	395,799
Total Expenditures	\$ 8,700,279	\$ 8,213,573	\$ 8,890,031	\$ 9,175,121	\$ 7,975,227
Other Financing Uses					
Proceeds from sale of assets	\$ 69,500	\$ 3,458	\$ 3,510	\$ 12,880	\$ -
Net Change in Fund Balance	\$ 67,879	\$ 732,259	\$ 1,597,056	\$ 1,028,761	\$ 910,401
Fund Balances - Beginning	\$ 12,386,893 ⁽¹⁾	\$ 11,654,635	\$ 10,057,579	\$ 9,028,818	\$ 8,118,417
Fund Balances - Ending	<u>\$ 12,454,772</u>	<u>\$ 12,386,894</u>	<u>\$ 11,654,635</u>	<u>\$ 10,057,579</u>	<u>\$ 9,028,818</u>

(1) Restated.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund-Level Statements

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public service, road and bridge, and capital acquisition.

Internal Service Fund – *Internal Service Funds* account for the financing of services provided by one department to other departments of the County on a cost-reimbursement basis. The Health Self-Insurance program of the County is accounted for as an Internal Service Fund.

Special Revenue Funds – *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

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

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INVESTMENTS

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

LEGAL INVESTMENTS ... Under Texas law, the County is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the County in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the County's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the County appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for County deposits, or (ii) where (a) the funds are invested by the County through a broker or institution that has a main office or branch office in the State and selected by the County in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the County with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the County is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the County, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The County may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution.

The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

ADDITIONAL PROVISIONS . . . Under Texas law, the County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the County’s investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (9) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the said order or resolution, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in the investment transactions with the County.

TABLE 10 - CURRENT INVESTMENTS

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

Description	Market	
	Value	Percent
TexPool	\$ 8,152,153	70.14%
LOGIC	200,494	1.72%
Bank Accounts	3,270,531	28.14%
	<u>\$ 11,623,178</u>	<u>100.00%</u>

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel to the County, assuming continuing compliance by the County with the tax covenants described below, under existing law, interest on the Certificates is excludable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (“Code”), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals.

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

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

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

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

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

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

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

The County will be designating the Certificates as “qualified tax-exempt obligations” for financial institutions for the purposes of Section 265(b) of The Code.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the County's continuing disclosure obligations because the County does not currently have outstanding more than \$10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule 15c2-12(d)(2)). Pursuant to the exemption, in the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement that is customarily prepared by the County and publicly available, which currently consists of an annual audited financial statement. The County will update and provide this information within twelve months after the end of each fiscal year ending in and after 2019. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

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

EVENT NOTICES . . . The County will file with the MSRB notice of any of the following events with respect to the Certificates in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the federal income tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) redemption calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation

of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. Neither the Certificates nor the Order makes any provision for debt service reserves or liquidity enhancement. In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The County will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

AVAILABILITY OF INFORMATION FROM MSRB . . . The County has agreed to provide the foregoing information only to the MSRB through EMMA. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org. The information to be provided as described under "Annual Reports" and "Notice of Certain Events" may also be obtained from: Honorable Charles Kelly, County Judge, Ochiltree County, 511 S. Main St., Suite 5, Perryton, Texas 79070, Phone: 806-435-8031.

LIMITATIONS AND AMENDMENTS . . . The County has agreed to update information and to provide notices of certain specified events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above.

The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the County to comply with its agreement.

The continuing disclosure agreement may be amended by the County from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates. The County may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the County amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The County has not previously made a continuing disclosure agreement in accordance with the Rule.

OTHER INFORMATION

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

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

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

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

LEGAL OPINIONS . . . The County will furnish the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates is excludable from gross income for federal income tax purposes, subject to the matters described under “TAX MATTERS” herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions “THE CERTIFICATES” (exclusive of the subcaptions “Book-Entry-Only System”, “Use of Certain Terms in Other Sections of this Official Statement”, “Certificateholders’ Remedies” and “Sources and Uses of Certificate Proceeds”), “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “Compliance with Prior Undertakings”) and the subcaptions “Legal Opinions” (excluding the last two sentences of the first paragraph thereof), “Registration and Qualification of Certificates for Sale” and “Legal Investments and Eligibility to Secure Public Funds in Texas” under the caption “OTHER INFORMATION” in the Official Statement, and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Order. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. The legal fees of such firm are contingent upon the sale and delivery of the Certificates.

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the County in connection with the issuance of the Certificates. The Financial Advisor’s fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the County, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$45,532.70. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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.

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

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

/s/ Honorable Charles Kelly
County Judge
Ochiltree County, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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THE COUNTY

LOCATION

Ochiltree County, Texas, is located in the northeast Texas Panhandle bordering Oklahoma encompassing State Highway 70 and 15, and U.S. Highway 83. The County covers approximately 918 square miles. The City of Perryton is the County Seat.

COUNTY POPULATION

<u>Year</u>	<u>Amount</u>
2017	10,073
2016	10,295
2015	10,697
2014	10,685
2013	10,669

ECONOMY

The economy is based on oil/gas, agribusiness, center of large feedlot and swine operations.

Agriculture income is primarily cattle, swine, wheat (second in acreage), corn, sorghum, and cotton; with some 50,000 acres irrigated. The market value is approximately \$424 million.

Minerals produced in the County include oil, natural gas and caliche.

OCHILTREE COUNTY LABOR FORCE ESTIMATES

	November	Annual Averages			
	2018	2017	2016	2015	2014
Civilian Labor Force	4,534	4,504	4,654	5,268	5,573
Employed	4,416	4,338	4,410	5,044	5,407
Unemployed	118	166	244	224	166
Percent Unemployed	2.6%	3.7%	5.2%	4.3%	3.0%

Source: Texas Workforce Commission.

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APPENDIX B

EXCERPTS FROM THE
OCHILTREE COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

The information contained in this Appendix consists of excerpts from the Ochiltree County, Texas Annual Financial Report for the Year Ended September 30, 2018, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Ochiltree County, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Ochiltree County, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Ochiltree County, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 36 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the Management’s Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors’ opinion is not affected by the omission of the MD&A.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ochiltree County, Texas’ financial statements as a whole. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of Ochiltree County, Texas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ochiltree County, Texas’ internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
December 20, 2018

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BASIC FINANCIAL STATEMENTS

**OCHILTREE COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,460,099
Accounts receivable, net	179,664
Delinquent taxes receivable, net	76,228
Due from other governmental entities	880
Inventories	50,451
Prepaid expenses	95,609
Capital assets, net of accumulated depreciation	20,313,615
Total assets	34,176,546
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	306,602
Pension assumption changes	5,957
Total deferred outflows of resources	312,559
LIABILITIES	
Accounts payable	165,698
Due to other governmental entities	4,433
Deferred revenues	131,018
Health claims payable	47,719
Noncurrent liabilities:	
Due within one year	32,500
Due in more than one year	292,628
Net pension liability	330,820
Total liabilities	1,004,816
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	367,288
Pension excess earnings	271,673
Total deferred inflows of resources	638,961
NET POSITION	
Net investment in capital assets	20,313,615
Restricted:	
By enabling legislation for special projects	698,369
Future health insurance claims	99,089
Special projects	155,378
Unrestricted	11,578,877
Total net position	\$ 32,845,328

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

**OCHILTREE COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental Activities:					
General government	\$ 1,747,382	\$ 305,840	\$ 26,060	\$ -	\$ (1,415,482)
Judicial	853,324	257,307	58,640	-	(537,377)
Public facilities	1,236,310	121,338	-	-	(1,114,972)
Public safety	2,422,233	36,221	5,139	-	(2,380,873)
Road and bridge	2,687,096	473,425	19,337	-	(2,194,334)
Public service	175,625	-	-	-	(175,625)
Total	<u>\$ 9,121,970</u>	<u>\$ 1,194,131</u>	<u>\$ 109,176</u>	<u>\$ -</u>	<u>(7,818,663)</u>
General revenues:					
Taxes:					
Property taxes					7,117,309
Other taxes					67,647
Interest earnings					220,402
Miscellaneous					95,090
Gain on disposal of capital assets					23,398
Total general revenues					<u>7,523,846</u>
Change in net position					(294,817)
Net position - beginning					<u>33,140,145</u>
Net position - ending					<u>\$ 32,845,328</u>

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

**OCHILTREE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 12,547,560	\$ 765,731	\$ 13,313,291
Accounts receivable, net	179,664	-	179,664
Taxes receivable, net	76,228	-	76,228
Due from other funds	661	949	1,610
Due from other governments	-	880	880
Inventories	50,451	-	50,451
Prepaid expenditures	95,609	-	95,609
	<u>\$ 12,950,173</u>	<u>\$ 767,560</u>	<u>\$ 13,717,733</u>
LIABILITIES			
Accounts payable	\$ 157,423	\$ 8,275	\$ 165,698
Due to other funds	949	661	1,610
Due to other governmental entities	4,433	-	4,433
Deferred revenue	131,018	-	131,018
	<u>293,823</u>	<u>8,936</u>	<u>302,759</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	67,542	-	67,542
Unavailable revenue - other receivables	134,036	-	134,036
	<u>201,578</u>	<u>-</u>	<u>201,578</u>
FUND BALANCES			
Nonspendable:			
Inventories	50,451	-	50,451
Prepaid expenditures	95,609	-	95,609
Restricted:			
By enabling legislation for special projects	-	698,369	698,369
Special projects	100,000	55,378	155,378
Committed for:			
Capital projects	5,165,062	-	5,165,062
Special projects	4,309	4,877	9,186
Unassigned	7,039,341	-	7,039,341
	<u>12,454,772</u>	<u>758,624</u>	<u>13,213,396</u>
Total fund balances	<u>12,454,772</u>	<u>758,624</u>	<u>13,213,396</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,950,173</u>	<u>\$ 767,560</u>	<u>\$ 13,717,733</u>

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

OCHILTREE COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	13,213,396
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		20,313,615
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements.		201,578
Pension losses and deficient earnings are shown as deferred outflows of resources in the government-wide financial statements.		
Pension assumption changes		5,957
Pension contributions paid after the measurement date, December 31, 2017, and before September 30, 2018 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		306,602
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(367,288)
Pension excess earnings		(271,673)
The net pension liability is not due and payable in the current period and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		(330,820)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued compensated absences		(325,128)
The internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		99,089
Net position - governmental activities	\$	32,845,328

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

OCHILTREE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 7,094,043	\$ -	\$ 7,094,043
Other taxes	67,647	-	67,647
Licenses and fees	946,498	96,580	1,043,078
Fines and forfeitures	201,272	3,835	205,107
Intergovernmental	79,037	30,139	109,176
Interest earnings	218,222	-	218,222
Miscellaneous	91,939	3,151	95,090
	<u>8,698,658</u>	<u>133,705</u>	<u>8,832,363</u>
EXPENDITURES			
Current:			
General government	1,781,669	30,189	1,811,858
Judicial	820,290	15,698	835,988
Public facilities	1,128,146	9,017	1,137,163
Public safety	2,399,249	17,619	2,416,868
Road and bridge	1,896,850	-	1,896,850
Public service	170,384	-	170,384
Capital outlay	503,691	-	503,691
	<u>8,700,279</u>	<u>72,523</u>	<u>8,772,802</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,621)</u>	<u>61,182</u>	<u>59,561</u>
OTHER FINANCING USES			
Proceeds from sale of assets	<u>69,500</u>	<u>-</u>	<u>69,500</u>
	<u>69,500</u>	<u>-</u>	<u>69,500</u>
NET CHANGE IN FUND BALANCES	67,879	61,182	129,061
FUND BALANCES - BEGINNING	<u>12,386,893</u>	<u>697,442</u>	<u>13,084,335</u>
FUND BALANCES - ENDING	<u>\$ 12,454,772</u>	<u>\$ 758,624</u>	<u>\$ 13,213,396</u>

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

**OCHILTREE 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, 2018**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$	129,061
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$503,691, was exceeded by depreciation, \$998,448, in the current period.</p>		
		(494,757)
<p>In the Statement of Activities, only the gain or loss on the disposition of capital assets is reported. However, in the governmental funds, only proceeds from a sale are reported. Thus, the change in net position differed from the change in fund balance by the net book value of all capital assets disposed of.</p>		
		(46,102)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>		
		(30,788)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Compensated absences, net change		(19,503)
Deferred outflows of resources:		
Pension contributions, net change		15,249
Pension deficient earnings		(800,919)
Pension assumption changes		(68,117)
Deferred inflows of resources:		
Pension economic/demographic gain		(142,999)
Pension excess earnings		(271,673)
Net pension liability, net change		1,476,460
<p>The internal service fund is used by management to charge the costs of health insurance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.</p>		
		(40,729)
Change in net position - governmental activities	\$	(294,817)

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

**OCHILTREE COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2018**

	ASSETS	<u>Employee Health</u>
Cash and cash equivalents		\$ 146,808
Total assets		<u>146,808</u>
	LIABILITIES	
Health claims payable		<u>47,719</u>
Total liabilities		<u>47,719</u>
	NET POSITION	
Restricted for future insurance claims		<u>99,089</u>
Total net position		<u><u>\$ 99,089</u></u>

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

OCHILTREE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Employee Health
OPERATING REVENUES	
Charges for services	\$ 899,986
Total operating revenues	899,986
OPERATING EXPENSES	
Insurance premiums	341,095
Insurance claims and expenses	601,800
Total operating expenses	942,895
NET OPERATING LOSS	(42,909)
NON-OPERATING REVENUES	
Interest	2,180
Total non-operating revenue	2,180
CHANGE IN NET POSITION	(40,729)
NET POSITION - BEGINNING	139,818
NET POSITION - ENDING	\$ 99,089

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

**OCHILTREE COUNTY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Employee Health
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from County and participants	\$ 899,986
Cash payments for insurance premiums	(341,095)
Cash payments for claims	(604,306)
Net Cash Used by Operating Activities	(45,415)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest from cash deposits	2,180
Net Cash Provided by Investing Activities	2,180
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,235)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	190,043
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 146,808
 RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net operating loss	\$ (42,909)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Increase (decrease) in accounts payable	(2,506)
Net Cash Used by Operating Activities	\$ (45,415)

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

**OCHILTREE COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2018**

ASSETS		
Cash and cash equivalents		\$ 2,336,535
		<hr/>
Total assets		\$ 2,336,535
		<hr/> <hr/>
LIABILITIES		
Accounts payable		\$ 3,349
Due to other governments		190,584
Deposits		2,142,602
		<hr/>
Total liabilities		\$ 2,336,535
		<hr/> <hr/>

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

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ochiltree County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1876, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Government-Wide Statements – Continuation

The Statement of Activities demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any proprietary funds, including internal service and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public service, road and bridge, and capital acquisition.

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Fund-Level Statements – Continuation

Additionally, the County reports the following funds types:

Internal Service Fund – *Internal Service Funds* account for the financing of services provided by one department to other departments of the County on a cost-reimbursement basis. The Health Self-Insurance program of the County is accounted for as an Internal Service Fund.

Special Revenue Funds – *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

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

C. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, 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 deposits within public fund investment pools. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes. TexPool is duly chartered and administered by the Texas Treasury Safekeeping Trust Company and the portfolio normally consists of U.S. T-Bills or T-Notes, collateralized certificates of deposit, and repurchase agreements. The carrying value (cost) and market value are equal for these deposits.

The County is required by Government Code Chapter 2256, the Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the areas of investment practices, management has reported and established appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenues in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$1,595,254.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year unless the half payment option is elected in which one-half the tax is due November 30, and the balance the following June 30. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$135,515.

4. Restricted Assets/Funds

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management, preservation, and archiving of public records, enhancement of law enforcement operations with seized funds, maintenance of the commissary in the Sheriff's Department, personnel and security for the courthouse, technology requirements for the justice court, continuing education costs, to aid in the defense of indigent persons within the County, alternative dispute resolutions, assisting in paying compensation for guardians or attorneys ad litem, administration of pre-trial diversion programs, defraying the County's voter registration expenses, and enhancement of the County Attorney operations with fees from processing dishonored and forged checks. All restrictions are enacted according to Texas statutes.)

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

4. Restricted Assets/Funds – Continuation

- In addition to the statutory restrictions, the County has also received funds from outside donors. Those donations are restricted by the donors for improvements to the County Library.

5. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the governmental funds are recorded as expenditures when consumed rather than purchased. At September 30, 2018, inventories consisted of fuel, rock, and culverts in the road and bridge department.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of nonspendable fund balance which indicates they do not represent “available spendable resources”.

6. Capital Assets

Capital assets, which include land, infrastructure, buildings and improvements, and equipment, are reported in the government-wide financial statements. According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of two years, buildings having an individual cost of \$25,000 or more and infrastructure having a cost of \$100,000 or more. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	20 - 50 years
Infrastructure	75 years
General equipment	5 - 7 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County’s pension plan reported in the government-wide statement of net position.

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

7. Deferred Outflows/Inflows of Resources – Continuation

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the changes in the County's net pension liability and are reported in the government-wide statement of net position.

8. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Regular full-time employees with less than ten years' service earn one vacation day per month. After ten years, vacation is earned at the rate of 1.5 days per month. Unused vacation may be accumulated year to year up to a maximum of 28 days. Sick leave accrues at one-half day per month with a limit on accumulation of 60 days. An employee will receive payment for one-half of any unused accrued sick leave at the time of termination of employment limited to a maximum of 30 days. Compensated absences are accrued in the government-wide financial statements.

9. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

10. Fund Balances – Continuation

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

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

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

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

Unassigned Fund Balance – this classification applies to the residual fund balance of the General Fund and to any deficit fund balances of other governmental funds.

In the General Fund, the County generally aims to maintain an unassigned fund balance of approximately 18% - 25% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

11. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

12. Fund Balance Policies

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

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners' Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County's highest level of decision-making authority is the Commissioners' Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

13. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budgeted Amounts column of the Budgetary Comparison Schedule for the General Fund.
5. The budget for the General Fund is adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

B. Excess of Disbursements Over Appropriations

For the year ended September 30, 2018, disbursements exceeded appropriations in the Fire Protection (\$18,697) department. The over expenditures were funded by lower than expected expenditures in every other department County. In total the County's expenditures were under budget by \$1,128,753.

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2018:

Cash and deposit balances consist of:

Petty cash funds	\$	2,802
Bank deposits		6,373,350
Certificates of deposit		249,278
TexPool		8,471,595
Texas LOGIC		699,609
		15,796,634
Total	\$	15,796,634

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	13,460,099
Fiduciary Funds Statement of Net Position		2,336,535
		15,796,634
Total	\$	15,796,634

Custodial credit risk – deposits. As of September 30, 2018, the carrying amount of the County's deposits with financial institutions was \$6,622,628 and the bank's balance was \$6,926,880. Of the bank balance, \$766,993 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$6,159,887 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of September 30, 2018, the County had \$8,471,595 and \$699,609, respectively invested with Texas Treasury Safekeeping Trust Company (TexPool) and Texas LOGIC. The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool and Texas LOGIC, through which political subdivisions and other entities may invest public funds. The State Comptroller of Public Accounts exercises oversight responsibility over both funds. 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 of both participants of the pools and other persons who do not have a business relationship with either pool. The advisory board members review the investment policy and management fee structure.

Both investment pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Texas LOGIC do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool and Texas LOGIC have a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool and Texas LOGIC invest in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2018, 58.06% of the County's carrying value of cash was invested in pooled investment accounts. All other cash was deposited with the County's depository bank and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2017 tax roll was \$.524 per \$100, which means that the County has a tax margin of \$.276 per \$100 and could raise up to \$3,768,838 additional revenue from the 2017 assessed valuation of \$1,365,520,922 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has not opted to report its infrastructure retroactively.

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 121,057	\$ -	\$ -	\$ 121,057
Construction in process	-	153,853	-	153,853
Total capital assets, not being depreciated	121,057	153,853	-	274,910
Capital assets, being depreciated				
Buildings and improvements	6,491,634	-	-	6,491,634
Machinery and equipment	5,926,858	349,838	(108,475)	6,168,221
Infrastructure	32,320,438	-	-	32,320,438
Total capital assets, being depreciated	44,738,930	349,838	(108,475)	44,980,293
Less accumulated depreciation for:				
Buildings and improvements	(4,578,930)	(133,505)	-	(4,712,435)
Machinery and equipment	(3,364,116)	(437,087)	62,373	(3,738,830)
Infrastructure	(16,062,467)	(427,856)	-	(16,490,323)
Total accumulated depreciation	(24,005,513)	(998,448)	62,373	(24,941,588)
Total capital assets, being depreciated, net	20,733,417	(648,610)	(46,102)	20,038,705
Governmental activities capital assets, net	\$ 20,854,474	\$ (494,757)	\$ (46,102)	\$ 20,313,615

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2018 was charged to the functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 807
Judicial	31,373
Public facilities	110,670
Public safety	49,055
Road and bridge	801,065
Public service	<u>5,478</u>
 Total Depreciation Expense	 <u><u>\$ 998,448</u></u>

NOTE 6 – RETIREMENT PLAN

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

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated 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 the County.

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

Employees Covered by Benefit Terms: At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	65
Active employees	78

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OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Contributions: The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 7.33% with a supplemental rate of 4.01% for the months of the accounting year in 2017 and 7.18% with a supplemental rate of 4.16% for the months of the accounting year in 2018. The contribution rate payable by the employee members is 7.0% for fiscal year 2018 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Net Pension Liability: The County's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability or asset, was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.75%

The payroll growth assumption is for the aggregate covered payroll of an employer.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

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	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	18.00%	4.10%

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2016	\$ 17,166,233	\$ 15,358,953	\$ 1,807,280
Changes for the year:			
Service cost	456,752	-	456,752
Interest on total pension liability (1)	1,393,408	-	1,393,408
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(372,241)	-	(372,241)
Effect of assumptions changes or inputs	7,942	-	7,942
Refund of contributions	(16,590)	(16,590)	-
Benefit payments	(840,938)	(840,938)	-
Administrative expenses	-	(11,614)	11,614
Member contributions	-	242,655	(242,655)
Net investment income	-	2,239,913	(2,239,913)
Employer contributions	-	493,108	(493,108)
Other (3)	-	(1,741)	1,741
Balances as of December 31, 2017	<u>\$ 17,794,566</u>	<u>\$ 17,463,746</u>	<u>\$ 330,820</u>

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

(2) No plan changes valued.

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

Sensitivity of the net pension liability / (asset) to changes in the discount rate: The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 19,870,398	\$ 17,794,566	\$ 16,031,931
Fiduciary net position	<u>17,463,746</u>	<u>17,463,746</u>	<u>17,463,746</u>
Net pension liability / (asset)	<u>\$ 2,406,652</u>	<u>\$ 330,820</u>	<u>\$ (1,431,815)</u>

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2017 to December 31, 2017
Service cost	\$ 456,752
Interest on total pension liability (1)	1,393,408
Effect of plan changes	-
Administrative expenses	11,614
Member contributions	(242,655)
Expected investment return net of investment expenses	(1,238,709)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(229,243)
Recognition of assumption changes or inputs	76,059
Recognition of investment gains or losses	71,389
Other (2)	1,741
Pension expense / (income)	\$ 300,356

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

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

Deferred Inflows / Outflows of Resources: As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 367,288	\$ -
Changes of assumptions	-	5,957
Net difference between projected and actual earnings	271,673	-
Contributions made subsequent to measurement date	N/A	306,602

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ (107,792)
2019	(53,762)
2020	(271,209)
2021	(200,241)
2022	-
Thereafter	-

NOTE 7 – EMPLOYEE HEALTH FUND

The County has established an Insurance Fund, a Flexible Spending Account and an Unemployment Trust Account (a proprietary fund type; internal service fund) to account for its employee health benefits program. The purpose of this fund is to finance and pay for the uninsured medical claims of the County employees and their covered dependents and minimize the total costs of insurance to the County and its employees. Dependent coverage is funded by charges to employees. The County’s liability is limited to \$35,000 per covered person per year under the present 24/12 plan. The County has obtained insurance through a private insurance carrier for claims in excess of the above coverage. The carrier processes all the claims and bills the County for processed claims that are within the coverage of the fund. Settlement amounts have not exceeded insurance coverage for the current year.

The premium amounts were based on calculations by the insurance carrier using experience factors to estimate what would be needed to cover claims and to establish a reserve for losses. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Changes in the County’s claims liability amount were:

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
For Year Ended:				
September 30, 2018	\$ 21,392	\$ 601,800	\$ (602,330)	\$ 20,862

**OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 661	\$ 949
Special Revenue:		
Wolf Creek Park Improvement	-	661
Library Grants	949	-
	<u>\$ 1,610</u>	<u>\$ 1,610</u>

The primary purpose of inter-fund receivables and payables is the reimbursement to or from the General Fund for cash disbursements.

NOTE 9 – TAX ABATEMENTS

During the year ended September 30, 2014, Ochiltree County entered into a 7 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Ochiltree County. To be eligible the Company agreed to construct improvements consisting of a wind power facility. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due.

During the year ended September 30, 2015, Ochiltree County entered into a 7 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Ochiltree County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 120 megawatts and an anticipated capacity of approximately 150 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due.

During the year ended September 30, 2016, Ochiltree County entered into a 7 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Ochiltree County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 120 megawatts and an anticipated capacity of approximately 150 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due.

Continued

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9 – TAX ABATEMENTS – Continuation

For the fiscal year ended September 30, 2017, Ochiltree County abated property taxes totaling \$615,344 under this program, including the following tax abatement agreements:

- A 55 percent tax abatement to Palo Duro Wind Energy for eligible property in the reinvestment zone. The abatement amounted to \$615,344.
- A 70 percent tax abatement to Perryton Wind, LLC for eligible property in the reinvestment zone. The abatement amounted to zero dollars for the year ended September 30, 2018. Per the agreement the abatement years do not begin until the year after the company begins commercial operations.
- A 70 percent tax abatement to Perryton Plains Wind, LLC for eligible property in the reinvestment zone. The abatement amounted to zero dollars for the year ended September 30, 2018. Per the agreement the abatement years do not begin until the year after the company begins commercial operations.

NOTE 10 – MAJOR TAXPAYERS

As of September 30, 2018, the following taxpayers accounted for a significant portion of the County’s total tax levy.

Taxpayer	Industry	Tax Amount	Percent of Total Levy
Taxpayer A	Wind Energy	\$ 410,229	5.74 %
Taxpayer B	Oil & Gas	409,912	5.73

NOTE 11 – LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 305,625	\$ 191,305	\$ (171,802)	\$ 325,128	\$ 32,500
Governmental activity long-term liabilities	\$ 305,625	\$ 191,305	\$ (171,802)	\$ 325,128	\$ 32,500

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In the unlikely event that the County’s health insurance policy with the insurance carrier were terminated before its annual expiration date, the County would be liable for any unpaid medical claims incurred before the termination date with no limitations. Such potential liability cannot be reasonably estimated.

OCHILTREE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 13 – RISK MANAGEMENT

The County's major areas of risk management are: public officials', law enforcement, and automobile liability, general comprehensive liability and property damage, workers' compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**OCHILTREE COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 7,041,271	\$ 7,041,271	\$ 7,094,043	\$ 52,772
Other taxes	30,000	30,000	67,647	37,647
Licenses and fees	858,655	858,655	946,498	87,843
Fines and forfeitures	293,060	293,060	201,272	(91,788)
Intergovernmental	67,500	67,500	79,037	11,537
Interest earnings	19,150	19,150	218,222	199,072
Miscellaneous	29,500	35,570	91,939	56,369
	<u>8,339,136</u>	<u>8,345,206</u>	<u>8,698,658</u>	<u>353,452</u>
EXPENDITURES				
Current:				
General government				
County Judge	234,232	234,232	211,444	22,788
Commissioners	262,922	262,922	256,138	6,784
County Clerk	300,759	300,759	290,436	10,323
County Auditor	174,950	174,950	170,907	4,043
County Treasurer	151,457	151,457	148,061	3,396
Tax Assessor/Collector	222,738	222,738	163,405	59,333
Tax appraisal collections	153,143	153,143	152,485	658
Non-departmental	594,500	502,110	388,793	113,317
	<u>2,094,701</u>	<u>2,002,311</u>	<u>1,781,669</u>	<u>220,642</u>
Judicial				
District court	246,172	246,172	226,022	20,150
District Clerk	199,160	199,160	193,243	5,917
Justice of the Peace	204,309	204,309	193,139	11,170
County Attorney	259,561	259,561	200,076	59,485
Law library	7,000	7,810	7,810	-
	<u>916,202</u>	<u>917,012</u>	<u>820,290</u>	<u>96,722</u>
Public facilities				
Maintenance department	492,103	492,103	332,839	159,264
Utilities	150,100	150,100	117,131	32,969
Cemetary	17,600	15,790	15,530	260
Perry Memorial Library	304,567	304,567	279,715	24,852
Wolf Creek Park	310,364	302,174	289,596	12,578
County Expo	63,800	63,800	15,005	48,795
Airport	65,900	78,870	78,330	540
	<u>1,404,434</u>	<u>1,407,404</u>	<u>1,128,146</u>	<u>279,258</u>

Continued

**OCHILTREE COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Continuation	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Public safety				
County jail	\$ 967,486	\$ 967,486	\$ 845,730	\$ 121,756
County jail kitchen	103,190	103,190	81,700	21,490
Ambulance	205,000	205,000	172,864	32,136
Fire protection	20,600	20,600	39,297	(18,697)
Constable	57,461	57,461	57,124	337
Sheriff	1,310,717	1,316,787	1,157,972	158,815
Juvenile probation	55,000	55,000	38,563	16,437
Adult probation	6,000	6,000	4,239	1,761
Department of Public Safety	3,500	3,500	1,760	1,740
Total Public safety	<u>2,728,954</u>	<u>2,735,024</u>	<u>2,399,249</u>	<u>335,775</u>
Road and bridge				
Operations	<u>1,982,501</u>	<u>1,982,501</u>	<u>1,896,850</u>	<u>85,651</u>
Total Road and bridge	<u>1,982,501</u>	<u>1,982,501</u>	<u>1,896,850</u>	<u>85,651</u>
Public service				
Veteran's service	5,500	5,500	305	5,195
Community programs	68,000	68,000	65,601	2,399
County welfare program	8,600	11,110	11,101	9
Extension service	<u>134,162</u>	<u>134,162</u>	<u>93,377</u>	<u>40,785</u>
Total Public service	<u>216,262</u>	<u>218,772</u>	<u>170,384</u>	<u>48,388</u>
Capital outlay	<u>479,908</u>	<u>566,008</u>	<u>503,691</u>	<u>62,317</u>
Total expenditures	<u>9,822,962</u>	<u>9,829,032</u>	<u>8,700,279</u>	<u>1,128,753</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,483,826)</u>	<u>(1,483,826)</u>	<u>(1,621)</u>	<u>1,482,205</u>
OTHER FINANCING SOURCES				
Proceeds from sale of assets	-	-	69,500	69,500
Transfers in	<u>1,483,826</u>	<u>1,483,826</u>	<u>-</u>	<u>(1,483,826)</u>
Total other financing sources	<u>1,483,826</u>	<u>1,483,826</u>	<u>69,500</u>	<u>(1,414,326)</u>
NET CHANGE IN FUND BALANCE	-	-	67,879	67,879
FUND BALANCE - BEGINNING	<u>12,386,893</u>	<u>12,386,893</u>	<u>12,386,893</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 12,386,893</u>	<u>\$ 12,386,893</u>	<u>\$ 12,454,772</u>	<u>\$ 67,879</u>

OCHILTREE COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 456,752	\$ 465,595	\$ 418,083	\$ 397,779
Interest on total pension liability	1,393,408	1,323,766	1,258,588	1,177,946
Effect of plan changes	-	-	(44,276)	-
Effect of assumption changes or inputs	7,942	-	222,221	-
Effect of economic/demographic (gains) or losses	(372,241)	(264,320)	(144,229)	75,633
Benefit payments/refunds of contributions	(857,528)	(928,596)	(758,249)	(747,916)
Net change in total pension liability	628,333	596,445	952,138	903,442
Total pension liability, beginning	17,166,233	16,569,788	15,617,650	14,714,208
Total pension liability, ending (a)	<u>\$ 17,794,566</u>	<u>\$ 17,166,233</u>	<u>\$ 16,569,788</u>	<u>\$ 15,617,650</u>
Fiduciary Net Position:				
Employer contributions	\$ 493,108	\$ 722,166	\$ 1,087,462	\$ 633,365
Member contributions	242,655	229,726	221,584	212,808
Investment income net of investment expenses	2,239,913	1,056,407	53,543	874,464
Benefit payments/refunds of contributions	(857,528)	(928,596)	(758,249)	(747,916)
Administrative expenses	(11,614)	(11,493)	(10,078)	(10,175)
Other	(1,741)	26,161	(46,816)	47,289
Net change in fiduciary net position	2,104,793	1,094,371	547,446	1,009,835
Fiduciary net position, beginning	15,358,953	14,264,582	13,717,136	12,707,301
Fiduciary net position, ending (b)	<u>\$ 17,463,746</u>	<u>\$ 15,358,953</u>	<u>\$ 14,264,582</u>	<u>\$ 13,717,136</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 330,820</u>	<u>\$ 1,807,280</u>	<u>\$ 2,305,206</u>	<u>\$ 1,900,514</u>
Fiduciary net position as a % of total pension liability	98.14%	89.47%	86.09%	87.83%
Pensionable covered payroll	\$ 3,466,504	\$ 3,281,800	\$ 3,165,483	\$ 3,040,120
Net pension liability as a % of covered payroll	9.54%	55.07%	72.82%	62.51%

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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\$6,280,000
OCHILTREE COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2019

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by Ochiltree County, Texas (the "County") of \$6,280,000 aggregate original principal amount of its Certificates of Obligation, Series 2019, dated January 15, 2019 (the "Certificates").

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

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

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

1. The Certificates are valid and legally binding obligations of the County enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.
2. The Certificates are secured by and payable from the levy of a direct and continuing annual ad valorem tax upon all taxable property within the County, within limits prescribed by law, sufficient for said purposes, as provided in the Order.
3. Interest on the Certificates is excludable for federal income tax purposes from the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax on individuals.

In addition, the County has designated the Certificates as “qualified tax-exempt obligations” for the purposes of Section 265 of the Code dealing with financial institutions and has represented that the total amount of tax-exempt obligations (including the Certificates) issued by it is not reasonably anticipated to exceed \$10,000,000 in “qualified tax-exempt obligations” during calendar year 2019.

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

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. We observe that the County has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

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